# CONOMIC DEVELOPMENT AND CULTURAL CHANGE

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ESEARCH CENTER IN ECONOMIC DEVELOPMENT AND CULTURAL CHANGE
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# ECONOMIC DEVELOPMENT AND

## CULTURAL CHANGE

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Bert F. Hoselitz, Editor

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#### SOCIOLOGICAL ASPECTS OF POLITICAL DEVELOPMENT IN UNDERDEVELOPED COUNTRIES\*

### I. The Problem

This paper will present some hypotheses on the main sociological factors which influence political processes and institutions in underdeveloped countries. The future of democratic, representative institutions in these countries has often been debated, but most studies of these institutions have not been as systematic as others dealing with problems of economic development. Yet in many underdeveloped countries—whether of colonial, post-colonial, or independent status—the state plays a fundamental role in economic development and constitutes one of the basic factors influencing this development. Works on the political problems in Asia and Africa center mostly around the analysis and description of formal political institutions and basic political groups, and are often based on implicit assumptions as to the relative importance of some social conditions which may influence the stability and development of the new institutions. 1

Certain basic themes seem to recur in most studies. One is the emphasis upon traditionalism manifesting itself in the organization of the society on a basis of authority. This traditionalism, accompanied by a low standard of living, seems to impede the development of democratic institutions and to favor authoritarianism. Another theme emphasizes aspects of the problem of transition from a traditional to a modern society. Thus Scaliapino stresses the international economic and political tensions under which this transition has been made. Emerson stresses such factors as lack of experience in governmental and administrative functions, the relative thinness of a modern Westernized elite and its dissociation from the traditional masses, the consequent lack of development of institutions of local government, and the continuation of traditional patterns. The extent to which underdeveloped countries are internally divided is another frequently stressed theme. The division between traditional and Westernized groups, on the one hand, and the division within the

<sup>\*</sup> This paper was written at the Center for Advanced Study in the Behavioural Sciences, Stanford, California.

<sup>(1)</sup> Among the exceptions see especially R. Emerson, Representative Government in South East Asia, Cambridge, Mass., 1955; and D. Apter, The Gold Coast in Transition, Princeton, 1956.

<sup>(2)</sup> See Emerson, op. cit. See also E. Staley, The Future of Underdeveloped Countries, New York, 1954.

<sup>(3)</sup> R. A. Scaliapino, "Democracy in Asia, Past and Future", Far Eastern Survey, Vol. XX (1951), pp. 53-57.

<sup>(4)</sup> Emerson, op. cit.

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Westernized groups, on the other, producing many small parties, have been discussed repeatedly.

Thus while in most works on the political problems of underdeveloped countries assumptions are made as to the social conditions which may either impede or facilitate the development of modern political institutions, the assumptions are rarely systematized. Moreover, many analyses are consciously or unconsciously focused on the extent to which political institutions, especially on the formal level, deviate from the Western political pattern. Consequently. the internal dynamics of social and political systems is sometimes lost sight of, and the ways in which the societies -- successfully or unsuccessfully -- accommodate themselves to various aspects of modern political institutions, and evolve relatively new forms of political organization, is misunderstood. I shall try to outline, in a systematic way, some of the main sociological factors influencing the political developments in underdeveloped countries, and the social characteristics and internal dynamics of their political systems. I shall first list some characteristics which in varying degrees are common to most colonial societies, especially to countries which have attained independence. In the last part of the paper I shall list briefly some main characteristics by which these countries differ and shall present a few basic variables which should be taken into account in trying to explain these differences. (In this way this analysis may serve as a starting point for a series of researches in which these variables and some of the hypotheses implied in them will be tested out. This will have to be done in further publications.)

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# 2. Uneven Change in Colonial Societies

A characteristic of this whole process of transition and change in under-developed societies is that it has been, and continues to be, unbalanced. Certain main elements of this lack of balance have long been recognized and more or less correctly attributed to the basic nature of colonialism. <sup>5</sup> Although many of the underdeveloped societies did not have officially colonial status, most of the changes have occurred under the impact of the clash with the West. As a result of this, these societies have been put in an inferior, dependent, and unbalanced position in relation to European powers. This situation, moreover, has been evaluated within a framework of European institutions and values. But in order to understand some of the dynamic problems to which this process has given rise, certain additional aspects of this uneven and unbalanced change should be analyzed.

The first major aspect is the lack of balance in processes of change and transition that can be found between the "central" level and the local level.

Most changes introduced either directly or indirectly by the colonial powers (or by the "traditional" authorities of the independent societies which cooperated with the European powers) have been focused on the central institutions of the

<sup>(5)</sup> Raymond Kennedy, "The Colonial Crisis and the Future", in R. Linton, ed., The Science of Man in a World Crisis, New York, 1945. See also Rita Hinden, ed., Fabian Colonial Essays, London, 1945, especially the essays by Fortes and Furnivall; and J. H. Boeke, Economics and Economic Policy of Dual Societies, New York, 1953.

society. The most obvious changes were in the broad frameworks of political and economic institutions. In the political field, the introduction of unitary systems of administration, the unification or regularization of taxation, the establishment of modern court procedures, and at later stages, the introduction of limited types of representation, have greatly changed overall political structures and orientations. In the relatively independent states, innovation in military techniques was prevalent. The changes have introduced certain universalistic criteria, that is, orientations toward general rules and modern procedures. Even where various forms of indirect rule were practiced (as in many British South-East Asian, and particularly African territories), some change necessarily took place in political organization, though this change was much slower than in cases of direct rule.

Similarly, many changes have been effected in the economy, notably the change to a market economy.  $^{6}$ 

Similar attempts to change the central foci of the institutional framework were made on a more limited scale in the educational field by endeavoring to provide new types of modern education for selected local elites. 7

The common factor in these changes was their direction toward promotion of systematic change in the society as a whole. There was a more or less conscious awareness that such change was necessary (and presumably good), and that new general institutional structures and principles should be established. At the same time, however, the colonial powers (or indigenous traditional rulers) saw it as part of their task to effect these changes only within the limits set by the existing institutions and their own interests. 8

This is manifest in their orientation toward change at the local level, i.e., the level of the village, community, or tribal unit. Here colonial or indigenous rulers attempted to contain most changes within the limits of traditional groups and/or to limit, as much as possible, the extent of any change. But many changes did develop within the local communities, as the literature on detribalization, social and economic disorganization in villages, and disorganization of the family indicates. The important thing for our analysis is that the rulers tried,

(6) See, for instance, Boeke, op. cit.

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- (7) J. S. Furnivall, Educational Progress in South East Asia, New York, 1943.
- (8) It is not of interest for our analysis here to show the exact attitudes of different groups, leaders, etc. It is only the general trend of development that is significant.
- (9) See G. Wilson, An Essay on the Economics of Detribalization in Northern Rhodesia, Rhodes-Livingstone Paper 5, Livingstone, 1941. E. Hellman, Rooiyard, Rhodes-Livingstone Paper 13, Livingstone, 1948. G. Balandier, Sociologie des Brazavilles Noires, Paris, 1955. See also K. Davis, The Population of India and Pakistan, Princeton, 1951. See also the papers in Sections II and IV of Contemporary Africa, ANNALS of the American Academy of Political and Social Science, Vol. 298 (March 1955), and J. M. van der Kroef, Indonesia in the Modern World, Bandung, 1954, esp. Chs. 4 and 5.

insofar as possible, to contain these changes within traditional systems, and most of their administrative efforts on the local level were aimed at the strengthening of the existing organizations and relations, at maintaining peace and order, and at reorganizing the systems of taxation. Thus, while the administration attempted to introduce innovations—particularly new taxes and improved methods of revenue administration—it tried to accomplish this within a relatively unchanging social setting, with the implicit goal of limiting changes to technical matters. <sup>10</sup> Here existed a basic contradiction; on the one hand, attempts were made to establish broad, modern, administrative, political, and economic settings, while on the other hand, these changes were to be limited and based on relatively unchanged sub-groups and on traditional attitudes and loyalties. This contradictory attitude could be found in most spheres of social action.

In the economic field, the major efforts were made to facilitate the functioning of a market-oriented economy--albeit of a very specific kind. This economy had to operate, as it were, without full development of new economic motivations, which would have disturbed the existing social order. In the field of education, where innovations were much less broad, there existed the tendency to impart rudiments of technical education without changing the system of values and aspirations. Il

In economic and educational fields of action at least partial solutions could be found. Some indigenous groups found a place in newly established economic, educational, and professional organizations. Literacy grew to some extent, and the expectation of monetary rewards became customary and permissible for most groups.

Internal contradictions were most pronounced in the political field. Since the colonial powers or the indigenous rulers were interested in political loyalty, they aimed at maintaining a relatively passive type of obedience and identification, and were always ready, whenever possible, to utilize existing traditional loyalties or to transfer them to the new setting without much change in their basic social and cultural orientations. <sup>12</sup>

While the colonial powers and most indigenous rulers were interested in loyalty and were concerned with the transformation of certain institutional

- (10) See, for a good description, P. Griffiths, The British Impact on India, London, 1952, Section I; also J. Furnivall, Colonial Policy and Practice, Cambridge, 1948.
- (11) See Furnivall, Educational Progress in South East Asia, op cit., and also L. Finkelstein, "Education in Indonesia", Far Eastern Survey, Vol. 20 (1951), pp. 149-153; M. Read, "Education in Africa", ANNALS (March 1955), op. cit., pp. 170-179; S. M. Naidis, Economic Development and Education in India, New York, 1952; B. T. McCully, English Education and the Origins of Indian Nationalism, New York, 1940.
- (12) See Griffiths, op. cit.; J. Furnivall, Colonial Policy, op. cit.; and W. F. Wertheim, Indonesian Society in Transition, The Hague, 1956, Chs. III, IV.

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spects--especially technical aspects--of the social structure, they wanted at is same time to base these innovations not on new types of solidarity and genral political orientations and participation of the main strata of the population.
In they tried to base the new political-administrative structure on orientaIn slimited to technical, administrative changes for the bulk of the population,
and on more general and active identification for a very limited and select group
the center.

The full dynamic implications of this unbalanced development can only be interstood if some additional aspects of the unevenness of change are analyzed. These are aspects derived from the colonial or semi-colonial political situation. Most of them were present also in the non-colonial "independent" societies (China, Ottoman Empire, Arab states) but appeared in a different light, to analyzed in more detail later.

The two chief results derived from the colonial nexus were (1) segregation between Europeans and natives, and (2) discrimination against the natives in nost of the newly developed institutions. The extent of segregation and the intensity of discrimination varied in different institutional spheres and was often coupled with attempts to maintain the traditional native culture and even to idealize and romanticize it. The attempts at "segregation" and at minimal developments of a common framework were most prominent in the fields of politics and social solidarity; they were somewhat less so in the fields of administration and the economy. But the paradox of the situation was that the more overt attempts at segregation in the traditional as well as more modern spheres were gradually being given up, due to situational exigencies and as more and more matives were drawn into the modern spheres, the more acute became the discrimination against them in terms of the basic premises of these institutions.

Thus the basic problem in these societies was the expectation that the stive population would accept certain broad, modern institutional settings or-anized according to principles of universalism, specificity, and common secular solidarity, and would perform within them various roles--especially ecommic and administrative roles--while at the same time, they were denied some of the basic rewards inherent in these settings. They were denied above all full participation in a common political system and full integration in a common system of solidarity. In other words, they were expected to act on the basis of a motivational system derived from a different social structure which the colonial powers and indigenous rulers tried to maintain. Quite obviously these societies faced acute problems of integration which could not be solved, except momentarily, within the framework of colonial or semi-colonial societies.

These processes of uneven change did not and could not stop at a given time and freeze, as it were, a society's development at a certain stage. Many such attempts were made—as is evidenced by the attempts at indirect rule, on the one hand, and by widespread efforts of indigenous rulers to limit changes to purely technical matters, on the other. But such devices could not succeed for long. The economic needs of the colonial powers and/or of the indigenous ruling groups, their growing dependency on international markets, and on the international political system and the changes within it, precluded any freezing of development at a given stage. Thus, all these processes tended to affect "native" social systems to an increasing degree and to draw ever wider strata of these societies into the orbit of modern institutional settings. Different

countries are even today at different stages of development in this process. But the greater the tempo of these changes, the greater the unevenness and lack of balance, and the greater the problems of acute mal-integration the society has to face.

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As has been shown earlier, these problems of mal-integration arose at various levels and in different social spheres—in the economic and ecological spheres, in education, in family life, and others. But they were necessarily most acute in the political and solidarity spheres; there the colonial or Western impact had undermined most of the old integrative principles and organizations both at the local and at the national level. While partial solutions could sometimes be found for economic and technical problems, their very partiality only tended to emphasize the alien political framework and the mal-integration in the solidarity sphere.

# 3. The Influence of Uneven Change on Political Movements in Colonial Societies

It is not within the province of this paper to analyze the various attempts by colonial powers to find solutions to these problems within the framework of colonial society. Our main concern will be to analyze the repercussion of these developments on the nationalistic political and social movements which have been of prime importance for the future of these countries. 13

These movements have their origin in the dynamic situation of change, whose imprint can be discerned in their structure and development. Naturally, most of the nationalistic and social-nationalistic movements were especially sensitive to the manifestations of lack of balance and evenness of change. Yet, at the same time, they usually could not overcome easily the problems that this imbalance had created.

This sensitivity can be discerned in two basic characteristics of these movements: first, in their strong emphasis on new secular, modern symbols of solidarity and on their strong orientation towards solidarity-political activity (aiming ultimately at political independence); and second, in their attempts, especially in the later stages of development, to break through the "freezing" at the local level and to reach the broad masses of the population. But, at the same time--and this is most important for our analysis--the common bond which they tried to create with the masses was almost entirely couched in modern solidarity-political terms and did not emphasize the solution of immediate economic and administrative problems. The political symbols used were intended to develop new, ultimate, common values and basic loyalties, rather than relate to current policy issues within the colonial society. This emphasis

<sup>(13)</sup> See, for a general description of these movements, R. Emerson, L. Mills, and V. Thompson, Government and Nationalism in South East Asia, New York, 1942; J. F. Halkema-Kohl, "Colonial Nationalism", Indonesie, Vol. VII (1953), pp. 35-61; J. S. Coleman, "Current Political Movements in Africa", ANNALS (March 1955), op. cit., pp. 95-105; W. C. Holland, ed., Asian Nationalism and the West, New York, 1953.

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was caused by their exclusion from effective power and by their fear of compromising the basic issue through participation in current affairs when opportunity arose.

A somewhat similar attitude can be observed in respect to economic, administrative and instrumental problems. Most nationalist movements did develop an economic ideology either stressing romantically the maintenance of the old village community or the necessity of state planning. All decried the injustices of the economic policies and discrimination of the colonial powers. But the nationalist leaders did not deal concretely with current economic problems or problems of daily administration. It is significant that members of the social groups among colonial peoples who participated relatively successfully in economic or administrative areas and who developed new types of social organization (as, for example, native business communities or membership in the colonial services) usually did not participate actively in the nationalistic movements and often were looked upon as traitors, or, at least, as "compromisers", by the members and leaders of these movements. The nationalistic leaders appealed to those groups of the population which were in an acute state of transition from the traditional to the modern setting, and which therefore suffered most from social disorganization, rather than to the groups which could adapt tolerably to the new institutional spheres. 14

Thus, most nationalistic movements, though obviously opposed to the colonial regime, inherited from it some important social characteristics. On the one hand, the leaders attempted to formulate new symbols of solidarity which would transcend the limitations of the colonial situation and which were couched in modern nationalistic and universalistic terms. But at the same time, they did not make any special efforts to transform other spheres of institutional life and to solve the problems created there by the processes of uneven change. Although the nationalist leaders did not try to prevent the development of new types of social organization, they did not explicitly deal with problems provoked by these changes. They seemed to be content to base the new movement, within the instrumental fields, either on traditional types of attitudes and organization, or on transitory types of attitudes and motivations which were not fully stabilized. Their major assumption, common to many revolutionary movements, was that all of these problems would be more or less automatically solved once political independence would be achieved. 15

The attitudes and social characteristics of these nationalistic movements are, of course, rooted in the colonial situation. They are closely related to the social origins and processes of selection of the leaders of the nationalistic movements and the relation of the leaders to the masses of the population. The leaders usually came from sectors of the more Westernized professional and intellectual groups, from among students, lawyers, journalists, most of whom had been directly exposed to Western values, had been active in some modern

<sup>[14]</sup> See K. R. Bombwall, <u>Indian Politics and Government</u>, 1951, esp. Chs. IV, V, X, and XI; V. N. Naik, <u>Indian Liberalism--A Study</u>, Bombay, 1949, Chs. IV and XXI; Apter, op. cit.

<sup>(15)</sup> See abundant material in Apter, op. cit.; and van der Kroef, op. cit., Chs. 2 and 3.

institutions, but either had not been fully absorbed by them, or, though indoctrinated with Western ideologies and values, could not accept their non-realization within the colonial setting. 16

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Most of the early leaders of nationalistic movements came from relatively well-to-do families. They had adapted themselves to some aspects of Western life, without entirely losing a foothold in their own traditions, and they rarely suffered from personal oppression. 17 However, at later stages. the ranks were swelled with unemployed semi-intellectuals, semi-professionals and semi-untrained groups. 18 These new men were mostly of urban origin; at least they grew up in the new urban settings which had come into being under the colonial regime. They usually did not have many direct relations with either the rural or the urban proletarian masses. Hence, they displayed a lack of understanding of many concrete economic problems of the masses, a limited grasp of political problems on the conceptual level, because of their narrow literary and professional background, and a strong idealization of the masses and of the village. Moreover, with the development of colonial economies and nationalistic movements, urban centers tended more and more to attract the more active elements from other parts of the colonies, with the result that the countryside was depleted of potential leaders. On coming to the towns, these potential leaders took up the symbols and orientations of the movement very quickly and often turned their backs on the acute problems of their groups or localities of origin. Whenever they returned to their points of origin, they tended to appeal in terms of overall solidarity symbols rather than in terms of specific concrete problems. 19

The social peculiarities of nationalist movements produced various characteristics which have often been described in the literature. The emphasis on solidarity symbols, without attention on other aspects of social organization, has necessarily given rise to a relative lack of stability in the sphere of political organization itself. This is evidenced by the divisions between different political movements and between the leaders of political movements and the more traditional powers in the society, such as tribal chiefs, princes, and colonial elites. Whenever competing nationalist movements developed within any one society, they became usually totally opposed to one another in terms of ultimate values and symbols of identification, and not merely in terms of differences over policies. This was not only true in the relations between modern and traditional forces, but also--and perhaps even more so--between the different modern groups, such as nationalistic, socialistic, communistic groups. Although on certain occasions all groups entered into uneasy

<sup>(16)</sup> See A. R. Desai, Social Background of Indian Nationalism, London, 1948, Chs. XI, XIII, XVIII. See also Emerson et al., op. cit.; and Emerson, op. cit.

<sup>(17)</sup> See the autobiographies and biographies of Gandhi, Nehru, Patel, and Nkruma. For a more general analysis see McCully, op. cit.

<sup>(18)</sup> See Apter, op. cit., Chs. 7 and 8.

<sup>(19)</sup> Ibid., esp. Ch. 8 for very pertinent illustrations.

 $_{\rm alliances}$  and coalitions--this did not change greatly their basic attitudes and their mutual ideological antagonisms.  $^{20}$ 

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A further characteristic of political structures in colonial countries is the relative weakness of various economic and professional organizations, e.g., trade unions, cooperatives, chambers of commerce, and the talk of their mutual integration as well as their uneasy relationship with the political movements. These weaknesses usually are of two kinds. Either the economic organizations, whatever their strength, held themselves apart from one another and from the political movements, did not participate in them, and thus did not exert their influence on them; or they became entirely subordinate to the political leaders (especially in the case of the Belfast movements) who did not take account of the specific problems and needs of economic organizations. 21

Another characteristic of colonial politics was the way in which various interest groups, e.g., local merchants, exerted influence on the administration or on political organizations in lower levels of government. The most common techniques of exerting influence included various types of lobbying, i.e., personal pressure, and sometimes attempts at bribery. Whatever the exact nature and diversity of these activities, they were not closely related to the major political movements and did not envisage to any great extent the mobilization of public opinion. Whenever one of these issues became important for political groups and public opinion, it became transformed into an overall problem of political independence and subsumed under the general solidarity symbols.

The combination of all these factors perhaps explains the importance of the urban "mob" in the politics of many colonial countries--and the parallel weakness of organized public opinion.

The different characteristics of the political process which we enumerated varied greatly from one country to another in their concrete details and in their relative importance and intensity, and we shall later distinguish some major types. But at this stage, a general analysis with illustrations will have to suffice. The illustrations point out some inherent weaknesses, or perhaps more accurately, the lack of balance in political developments and organizations in colonial countries. All these problems did not seem acute as long as the main issue was the attainment of political independence and as long as the movements were acting within the framework of colonial rule which was responsible for the daily running of the country. It was only when independence was attained, or when a definite transfer of power was planned and realized, that all these

<sup>(20)</sup> See Emerson, op. cit.; Emerson et al., op. cit.; G. T. McKahin, Nationalism and Revolution in Indonesia, Ithaca, 1953; C. A. O. van Nieuwenhuijze, "The Dar ul-Islam Movement in Western Java", Pacific Affairs, Vol. XXIII (1950), pp. 169-183. See also Coleman, op. cit., and "The Emergence of African Political Parties", in C. G. Haines, ed., Africa Today, Baltimore, 1955, pp. 225ff.; J. A. Curran, Militant Hinduism in Indian Politics, New York, 1951.

<sup>(21)</sup> See V. Thompson, The Left Wing in South East Asia, New York, 1950;
F. W. Galley, "The Prospect for Asian Trade Unionism", Pacific Affairs, Vol. XXIV (1951), pp. 296-306.

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problems became of crucial importance for the stability of the new political system. In those countries which still retain their colonial status, the former characteristics are still predominant in different degrees. Only in those countries which have attained independence, or are in the process of attaining it, or in those areas in which a traditional ruling group has been supplanted by some more modern nationalistic elite (as in China, or some of the Middle Eastern countries), all these problems are coming to the surface.

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# 4. The Transformation of Political Movements after Attainment of Independence

The full sociological significance of the attainment of independence becomes apparent and can be more exhaustively analyzed within the framework described above. Let us first analyze some basic structural changes which were brought about by the attainment of independence.

- A. The attainment of political independence and the establishment of a new state always entails the establishment of new spheres of power, of new power positions which exercise a strong influence on the economic structure of the society, and greatly widen the various instrumental rewards and gratifications which can be allocated through political and administrative channels.
- B. The attainment of political independence necessarily also gives rise to the promotion of new collective symbols of indentification, mostly borne by the new political elites which also claim special acceptance by the population because of their participation in the struggle for independence and because of the successful attainment of this aim. It may be said that because of the extension of the field of instrumental rewards and of new spheres of power, we find here also an intensification of claims by these elites to solidarity acceptance and prestige.

Let us briefly enlarge on these two points.

The enlargement of the spheres of power, and the concomitant increase in rewards through new political and administrative agencies, is self-evident. It is significant that most "new" states have attained their independence in an historical period which has witnessed a growing concentration of economic power and direction by the government. Moreover, most of the new states were relative latecomers to the international economy, and found that many of the best positions had already been monopolized by the older, long-established states. They were also relatively poor in original capital and entrepreneurial skill. For all these reasons the importance of the state and consequently its growing power in the economic sphere is evident in all former colonial societies. 22

The growing power of the government manifests itself in the expansion of its administrative services and in the continuous growth of the bureaucratic apparatus. This expansion is not purely quantitative. It gives rise to a

<sup>(22)</sup> See M. Zinkin, Asia and the West, London, 1952, Ch. XIX; and O. Reischauer, Wanted--A Policy for Asia, New York, 1955, Ch. VII.

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relatively new social group, the political elite and bureaucracy, which, whatever the extent of its internal cohesion and homogeneity, tends to claim special positions of power and prestige, and attempts to supervise many activities of other professional, economic, and cultural groups in the society.

These claims to social importance are usually raised both by the active political top-circles and the top and middle strata of the bureaucracy. They derive their strength not only from their holding of important power positions, but also-especially among the political elite--from their close attachment to the collective solidarity values of the community, from the would-be personification of the attainment of political independence, and from the glory of the "revolutionary" days when they formed the nucleus of revolutionary political and social movements. Moreover, the elite quite often justifies its claim to power and instrumental rewards in terms of their solidarity activities and values. After the attainment of independence--unlike the pre-independence days, when their claim to prestige and influence were solely based on collective-solidarity grounds -- the claims of the elite became strongly interwoven with claims based on acquisition of power and oriented to rewards in the instrumental field. The most outstanding feature of this process is the potential claim of the political and bureaucratic elite to the monopolization of the highest positions of prestige and power in the instrumental, the solidarity, and the cultural fields alike.

Generally speaking, then, the attainment of political independence has meant the extension of modern political and social institutions from the purely solidarity to the technical, adaptive, and instrumental fields, as well as the first stages in the routinization of the charisma of the older political movements. The new political system had either to incorporate within its framework the existing administrative organs and/or create new ones and had to orient itself towards various economic and instrumental problems. In other words, the sphere in which modern, universalistic principles of administration and politics prevailed became greatly extended and coordinated in one common framework with that of solidarity symbols and institutions. In a way, this constituted a total reversal of the colonial situation. But this reversal did not necessarily mean that all the problems of uneven development and change have been successfully solved. Rather, these problems became transformed, in keeping with the new framework, and constitute the main new problems of formerly dependent countries.

# 5. New Patterns of Political Participation and Motivation

With the attainment of independence the new elites faced several tasks in the area of political organization. They could not confine political participation to its former level, but had to extend its scope to the politically more passive or inarticulate groups from which new types of allegiance, political involvement, and loyalties were being demanded. The new regimes could not maintain themselves entirely on passive allegiance that had been predominant in the colonial times, since they themselves had undermined this kind of allegiance. Through their emphasis on governmental activities in many spheres of the society, they

penetrated more and more into various social layers. Because of this, the new governments could not rely on traditional motivations and attitudes in the instrumental and administrative fields to the same extent the old colonial regimes had. They had, in one way or another, to foster the development of new motivations and social and political participation. Schemes for community development, for new industrial and agrarian organizations, as well as agrarian reforms, whenever they were undertaken--all implied the necessity for new orientations and incentives and the development of many new motivational patterns. 23

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The new elites had to develop the allegiance of the masses to the new symbols of solidarity and the all-embracing political system as a whole. At the same time they had also to develop in the masses some identification with and loyalty to the new administrative and bureaucratic institutions, and--even more important--to the new rules of the political game. They had to develop simultaneously a basic loyalty to the new system and to foster new types of political participation and competition within that system. They had to assume that these new patterns of competition would not disrupt the system as a whole. In other words, they had to work for the simultaneous establishment of two new kinds of legitimization; a new solidarity one, and a new legal-rational one. Between the two there could easily develop many tensions and incompatibilities.

These tensions were due to a growing contradiction between the aspirations of various social, professional and economic groups and the policies and aspirations of the ruling elites. The attainment of independence extended the sphere and increased the value of economic, administrative, and professional activities. Moreover, most of these activities were no longer performed within the framework of an alien political system and a place had to be found for them within the new national framework.

The increase of the scope of these activities has naturally increased the potential power and the social and political aspirations of the various groups performing them. These groups constituted also the potential participants in the political game within the new states. But the aspirations of these groups have come up against the inherent tendency of the political elite and bureaucracy with respect to the monopolization of power and prestige. This tendency, which is closely related to the social transformations attendant on the attainment of independence, has manifested itself in:

- (a) attempts to create a strong unified hierarchy of status in terms of political power;
- efforts to subject most processes of social mobility to control by the different political elites; and
- (c) efforts to subject a large number of economic, professional, and cultural activities to political control.

As a result, there tends to develop a continuous tension and ambivalence in the relations between the political elite, other elite groups, and potential new

<sup>(23)</sup> See, for instance, Department of Mass Education of the Ministry of Education, Mass Education in Indonesia, Djakarta, 1954; McKahin, op. cit.; van der Kroef, op. cit.

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centers of power. The bureaucracy is inclined to belittle the importance and efficiency of purely economic activities and the claims of economic groups toward social autonomy. It tends to superimpose extra-economic criteria on economic activities and on their bearers, not only by stipulating broad, general "social goals", but also by the daily regulation and direction of activity. In other words, the bureaucracy claims great, if not absolute, power over these activities and claims greater prestige than their bearers. In this way many aspects of economic activity and entrepreneurship are stifled and discouraged. Moreover, the political elite attempts, in some cases, to undermine the autonomous development of the middle and working classes and link their positions entirely to political directives. A similar and sometimes even more intensive pattern can be found in the relations of the political elite and bureaucracy towards professions and cultural elites. If direct regimentation is not often attempted (this feature is usually limited to post-revolutionary totalitarian societies), a general tendency towards the direct linking of these activities with collective goals as represented by the elite and bureaucracy can still be found. Thus the emphasis put on cultural professions (teaching, creation of new traditional symbols) is greater than that placed on medicine, engineering, and other technical professions which seem to be more "neutral" in relation to collective goals, 24

Closely related are the attempts of the political elite and bureaucracy to direct and control all social developments of the country, especially those relating to the standard of living and the availability of new occupations and mobility within them. In this way they tend to maintain their hold on potential centers of power and to control their evolution. But these attempts are often self-contradictory because the close control exercised by the bureaucracy undermines efforts for economic development. More aspirants are created for new posts than there are posts available, and thus the bureaucracy itself is put in an insecure position. <sup>25</sup>

The ambivalent position of the political elite, and especially of the bureaucracy, is clearly shown by the following facts (which are found in varying degrees in most of the countries studied): (1) the bureaucracy itself experiences difficulties in recruiting adequately trained personnel; and (2) because of financial stringency officials are underpaid with the result that corruption develops. Hence the efficient functioning of the bureaucracy becomes problematic. On the one hand, the bureaucracy increases its attempts to attain social prestige and political power; on the other hand, it alienates large parts of the population and undermines some of the social and economic aims of its activities. 26

<sup>(24)</sup> See Apter, op. cit., Chs. 8, 10. See also L. U. Palmer, "Aspects of Indonesia's Social Structure", Pacific Affairs, Vol. 28,(1955), pp. 117-131.

<sup>(25)</sup> M. Zinkin, "Problems of Economic Development in Asia", Paper submitted to the 12th Conference of the Institute of Pacific Relations, 1954, Chs. VII and VIII (mimeographed).

<sup>(26)</sup> On some aspects of the problem of recruitment into the bureaucracy see B. Hoselitz, "The Recruitment of White-Collar Workers in Underdeveloped Countries", International Social Science Bulletin, Vol. VI, No. 3, (1954), pp. 433-442.

All these tendencies impede the development of social and institutional differentiations which would facilitate the emergence of diversified centers of power and prestige in the society. Attempts to establish a monolithic hierarchy of power and prestige have often impeded the development of relatively autonomous groups and organizations in society and weakened the development of independent public opinion. The well-known weakness of different non-specific voluntary associations in many poor countries is a case in point.

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All this may be summed up by saying that the main problem in the development of the political institutions in the new countries is the necessity of developing simultaneously social support for the maintenance of different and even contradictory aspects of modern, institutional frameworks.

The difficulty of a simultaneous development of different types of political institutions and of the social attitudes necessary for their maintenance and functioning is obviously rooted in the specific heritage of uneven change analyzed earlier in this paper. The unevenness of change resulted in an uneven development of different types of motivation and orientation to different aspects of a modern institutional setting. In some institutional spheres the development has as we have seen, over-emphasized new types of motivations -- especially in the solidarity field. This over-emphasis was reinforced by a relatively unorganized and unstable development of motivations and by a high extent of social disorganization in other spheres. Stabilization of these fields of action may have weakened the intensive solidarity orientation. With the attainment of independence and growing emphasis on wider administrative activities and power relations, all new developments tended to be subordinated to the activities of the political elite, which attempted also to assure its control over these new developments. Autonomous developments of outlying centers of power and the stabilization of new political groups or interests was viewed by the elite as interfering with the stabilization of the new basic institutional framework and with universal allegiance to the new common symbols. Faced with this problem, the residing elites of the new countries tended to undertake one of two possible courses of action. In some cases the elites attempted to "solve" this problem by slowing down the tempo of modern development and by maintaining, wherever possible, traditional authorities and loyalties. Perhaps the most outstanding examples of this may be found in some Middle Eastern countries, in Pakistan, and formerly in the Philippines. In other cases the new ruling elites attempted to speed up the destruction of traditional forces and loyalties and to replace them as rapidly as possible with a new nationalism. At the same time they attempt to control this new ideology and to place it in the service of their own aims and powerpositions. In these countries the ruling elites also tended to impede the development of autonomous and independent centers of social and political power. Examples of this are Indonesia, Ghana, and India. But in neither of the two cases can the ruling elites avoid the dilemma, and neither solution seems to contribute significantly to the maintenance of governmental stability. 27

<sup>(27)</sup> The analysis presented here on the different levels of motivation has some affinities with Boeke's analysis of dual societies. But it seems to me that Boeke does not realize sufficiently that the "duality" of motivation and of economic attitudes is not that between traditional and modern setting, but is a part of the whole process of change.

# 6. The Structure of Political Institutions

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In the formal structure of government some parallel tendencies can also be discerned, in varying degrees, in different new countries. The first is the obvious preponderance of the executive over all other branches of government. This development clearly flows from the need of the new governments to take over and to operate the governmental machinery smoothly. It is connected with the strong emphasis on governmental economic activity and the necessity to promote overall identification with and loyalty to the new state. The legislature is usually passive and subservient to the executive or so unruly as to minimize the effects of its own influence and power. 28 This does not mean that the different legislative bodies in all new countries are totally ineffective, although in some (especially the Middle East) they may be non-existent. It does indicate rather that their effective power of control over the executive and their function as mediators between the executive and the population at large is rather weak. This is closely connected with the often observed fact that in most new countries there has not existed, until recently, an effective opposition. The opposition party is too weak to constitute a real alternative (as in India), or there exists a multiplicity of parties between whom shifting coalitions are tried out (as in Indonesia), or any opposition that may arise is suppressed because it is seen as totally disloyal (as formerly in Pakistan). Closely connected with this also is the tendency for dictatorial regimes or movements with dictatorial tendencies to develop.

The judicial branch is characterized by a similar weakness. In some cases, there is no tradition of judicial independence. In others, the inability to promulgate a constitution and to organize the basic juridical norms of the state have been important factors in the absence of full legitimization of the judicial branch of government. India and Burma seem to be outstanding here, and the comparison with Pakistan and Indonesia is very instructive. <sup>29</sup>

But the most important manifestation of the predominance of the executive can perhaps be seen, paradoxically enough, in the uneasy relations between the executive and the administrative bureaucracies. Whatever the initial separation between the branches of government, they seem to come closer to one another and to share more values. Yet there exist many difficulties in establishing

- See J. H. Boeke, op. cit.; and "Three Forms of Disintegration in Dual Societies", Indonesie, Vol. 8 (1953-1954), pp. 278-295. See also B. Higgins, "The 'Dualistic Theory' of Underdeveloped Areas", Economic Development and Cultural Change, Vol. IV, No. 2, pp. 94-116.
- (28) See McKahin, op. cit.; M. A. da Silva, "Parliamentary Government in Underdeveloped Democracies", Parliamentary Affairs, Vol. VII (1954), pp. 120-126; S. D. Bailey, Naissance de nouvelles democraties, Paris, 1953; J. H. A. Lageman, "The Indonesian Parliament", Parliamentary Affairs, Vol. VI (1953), pp. 346-354. See also Tuansheng Chien, The Government and Politics of China, Cambridge, Mass., 1950, esp. Chs. XI-XIII.
- (29) Bailey, op. cit.; G. W. Choudhury, "Constitution Making Dilemmas in Pakistan", The Western Political Quarterly, Vol. VIII (1955), pp. 589-601.

a proper division of labor between them. The two extremes of an administration engaging in political contests (or being used by the parties in power to this end) or the executive and legislative interfering in the working of the administration are situations to be found frequently, and quite often together. 30

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Perhaps the most extreme example of this may be found in those countries where parts of the administration, especially the military; engage in independent political action. While this is a pattern common in the Middle East, some of its embryonic manifestations may also be seen in Indonesia and Pakistan. <sup>31</sup> These problems indicate the relative weakness of the concept of legal\*rational legitimation and of the adherence to the universalistic norms in these societies. Here, two points are of special importance. The first is the uneasy relationship between the bureaucracy and the executive, which may easily impede the smooth functioning of administrative procedures and the maintenance of a wide sphere of universal rules beyond the province of current political disputes and differing interests. In other words, the capacity of the bureaucracy to mediate according to universalistic criteria between different interests and groups may be sometimes strongly curtailed. <sup>32</sup>

Secondly, the weakness of the universalistic rules and of the legal-rational legitimization affects most acutely adherence to parliamentary procedures and the "rules of the game", as well as the possibility of maintaining discussion and organizing an independent public opinion. Here the two traits of "total" opposition and divisiveness, as well as of various types of direct pressures for different allocations, have been transplanted into the new political framework and have been continued in the new setting--sometimes with more intensity. They can be discerned most clearly in political parties and movements in the new countries. 33

# 7. The Development of Mediating Mechanisms, and of Patterns of Political Entrepreneurship

These and other aspects of the formal organization of governmental institutions clearly indicate the relative weakness of representative institutions and of the democratic process. In some countries, as in many Middle Eastern ones, such institutions are almost entirely absent or ineffective. In others, they are stronger, but the problem of their successful development is still unsolved. But it is not so much the lack of procedural experience and other formal

- (30) See A. D. Gorwalla, Report on Public Administration, Government of India, New Delhi, 1951; The Role of the Administrator, Poona, 1952; and P. Appleby, Public Administration in India, Delhi, 1953.
- (31) M. Kadouri, "The Army Officer: His Role in Middle Eastern Politics", in S. Fischer, ed., Social Forces in the Middle East, Ithaca, 1955.
- (32) See Gorwalla, op. cit.; Apter, op. cit.
- (33) Emerson, op. cit.; J. S. Coleman, "The Problem of Political Integration in Emergent Africa", Western Political Quarterly, Vol. VIII (1955), pp. 44-58; J. Furnivall, "Twilight in Burma", Pacific Affairs, Vol. 22 (1949), pp. 22ff.

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qualifications that is so important, but rather that it is difficult for these institutions to perform one of their basic functions in a democracy: that of mediating and integrating different interests in terms of common issues and in accordance with general rules of the political game. It is relatively easy to focus the attention of public opinion and of the legislators on ultimate values and basic divisive issues, such as differences between religious creeds, problems of secularism, different social philosophies, and especially problems of foreign policies. But it is much more difficult to evolve an agreement to disagree on various secondary problems and policies. It is more difficult to focus the attention of legislators—and that of the masses—on "secondary" problems and to develop a common interest in such issues so as to organize ordered discussion around them. Both the masses and the political elite tend to shift much more between ideological discussion on basic issues and exertions of direct pressure for the allocation of different facilities by the administration and analogous objectives. 34

With respect to parliamentarianism, there does not exist a basic difference between traditional groups and authorities, such as tribal chiefs, princes, traditional cultural elite, on the one hand, and modern parties on the other. Traditional groups may sometimes be more amenable to participating in a fairly ordered way in parliamentary institutions. While developments in Ghana indicate that traditional chiefs may develop a "total" opposition to the new regime, there are, at the same time, some indications that they may merge into a parliamentary opposition. Similarly, in Indonesia several of the older potentates did participate in nationalistic movements and the same is true of many Brahmin groups in India.

From this analysis it follows that the most important variable, from the point of view of the stability of governmental institutions in general, and of some types of representative institutions in particular, is not the scope of traditional sectors in the community. Nor is the level of economic development the most important variable; but it is found in the nature of the transition process from the traditional to the modern, from the colonial to the independent setting. What is important to identify are the elements in this process which can help in the development of autonomous social groupings and independent centers of prestige and power within the society, centers which are organized either according to modern criteria of universalism, specificity, and achievement, or which have, even if they themselves are not organized according to these principles, some basic orientations to the new institutional framework, so that their interests and points of view can be mediated by proper elites and representatives. 35

I wish to stress some implications of the last point. If it is correct, a successful maintenance of modern political institutions does not require the complete abolition of traditional organization based on ascription, particularism, and diffuseness. It has already been shown that even in the sphere of economic

<sup>(34)</sup> See McKahin, op. cit.; da Silva, op. cit.; and L. Pye, "Communication Patterns and the Problem of Representative Government in Non-Western Society", Public Opinion Quarterly, Vol. XX (1956), pp. 249-256.

<sup>(35)</sup> See Apter's (op. cit.) interesting discussion in his concluding chapter; also C. Belshaw, "The Cultural Milieu of the Entrepreneur", Explorations in Entrepreneurial History, Vol. VII (1955), pp. 146-164; and S. N. Eisenstadt, "Sociological Aspects of the Economic Adaptation of Oriental Immigrants in Israel", Economic Development and Cultural Change, Vol. IV, No. 3.

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development, where the importance of universalism, achievement, and specificity is much greater and where consideration of solidarity is not of such great importance as in the political sphere, development can take place through the utilization and organization of traditional settings if appropriate conditions prevail. <sup>36</sup> The same may be applied, with even greater force, to the political sphere. The rapid disorganization of traditional settings may give rise to general disorganization and instability and may enhance the development of mobmentality and the consequent political instability. What is of greater importance is the extent to which the different traditional settings can be gradually transformed, but not abolished outright, through incorporation within a modern institutional framework, and can exist alongside more modern organizations. <sup>37</sup>

The strategic problem, then, is the possibility of development of various intervening mechanisms, activities, and mediating institutions which facilitate the establishment of several levels of interlinking spheres within the society. Of great importance are developments through which both the basic solidarity and identification and the contingent support for different changing policies and competing elites can be transmitted to the political institutions and through which various basic issues of political controversy and discussion can be formulated.

This is, of course, very closely related to the presence or absence of people and political leaders at various levels who are able and willing to act according to the premises of the modern political institutions and to perform, at different levels, the tasks of mediation and integration. The absence of such people is not due to ill-will or lack of "objective" ability, but rather due to the social conditions which impede the appearance of such individuals. The problem here is somewhat parallel to that of entrepreneurship in the economic field. 38 One may perhaps talk about "political entrepreneurs", persons who are able to mobilize political activities and social attitudes, and integrate them into political organizations and processes according to the premises of parliamentary institutions. Obviously, the types of activity demanded of the modern political "entrepreneur" differ from those of the economic one, although there may be some common characteristics. The political entrepreneur, as the economic entrepreneur, must orient himself according to universalistic and achievement criteria and must be able to mobilize resources and activities in terms of these criteria. He must be able to bear certain elements of uncertainty and risk as concerns the attainment of his objectives, security of his status,

<sup>(36)</sup> See Robert S. Merrill, "Some Social and Cultural Influences on Economic Growth: The Case of the Maori", <u>Journal of Economic History</u>, Vol. XIV, (1954), pp. 401-409.

<sup>(37)</sup> Apter, op. cit.; Merrill, op. cit.; J. Pelzel, "The Small Industrialist in Japan", Explorations in Entrepreneurial History, Vol. VII (1954), pp. 79-94; M. Levy, "Contrasting Factors in the Modernization of China and and Japan", in S. Kuznets, W. Moore, and J. J. Spengler, eds., Economic Growth: Brazil, India, Japan, Durham, N. C., 1955, pp. 496-536.

<sup>(38)</sup> See A. Cole, ed., Change and the Entrepreneur, Cambridge, Mass., 1948, and the volumes of Explorations in Entrepreneurial History.

etc. But the nature of his "resources" as well as of the framework within which he operates is greatly different from those of the economic entrepreneur. The framework in which the political entrepreneur operates is not that of the impersonal market (although he may have to take into account some of the impersonal aspects of administration and law), but that of the more personal element of political life and struggle and of social and community organization. He must be able to manipulate elements and symbols of solidarity and power relations. The main difficulty confronting the activities of such a leader stems from the lack of balance and organization of political symbols and relations. But since no modern or quasi-modern society can exist without some organization of political elements, it is very probable that some type of political entrepreneurship will emerge. The main question is whether the political entrepreneur will be able to perform the mediating and integrating functions necessary for the development of a modern representative (although not necessarily Western) type of institutional framework. Obviously such entrepreneurs do not always develop in the new countries, and instead we find more authoritarian types connected either with the executive or with outright revolutionary movements. The authoritarian types may combine, in various ways, traditional and modern elements and attitudes, using one or the other according to their audience or the group which they try to manipulate.

Another important factor in this field is the scarcity of "intermediate" entrepreneurs who can successfully mediate between the lower, and usually more traditionally oriented local groups, and the more modern ones tied to the formal institutional setting. It may perhaps be assumed, at least as a working hypothesis, that the more these authoritarian types of entrepreneurs tend to develop, the greater is the institutional instability of formal governmental institutions. In such a case, the preponderance of the executive becomes stronger simultaneously with the executive's dependence on the support of the mob and consequently the possibility of development of various extremist movements.

The problems described in this paper seem to be, to some extent, common to most underdeveloped countries. This is largely due to the basic impact of Western colonialism. But obviously there exist also many differences between these countries—conditioned by different rates and types of the impact, by different social and cultural traditions of different underdeveloped countries, and by many other factors. These differences are beyond the scope of this paper, and it is hoped that they will be dealt with in a subsequent publication.

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## RELATIVE ECONOMIC DEVELOPMENT OF THE UPPER EAST TENNESSEE VALLEY, 1850-1950

"Fate makes our relatives, choice makes our friends."
- Jacques Delille

In several recent articles, <sup>1</sup> I have explored the interrelationships between numerous socio-economic characteristics and industrial-urban development in the Upper East Tennessee Valley during the last century. My study area--ap-proximating the state of Massachusetts in land area--consists of 15 Tennessee counties (excluding Knox county) east of Knoxville and 5 adjoining counties of southwest Virginia. Some of these counties have enjoyed substantial industrial-urban growth since 1900 and others have remained largely rural and agricultural. In my previous articles, I have been primarily concerned with identifying differences in the socio-economic characteristics, both pre-industrial and subsequent to industrialization, of those study-area counties which have industrialized and those which have not.

In the present paper, however, I shall not deal with intra-area differences. Rather, I shall focus attention on trends during 1850-1950 in the same socioeconomic characteristics for the study area as a whole, in each case relative to the national average in the same year. These many indexes or relatives (U.S. average = 100) for the study area are brought together in Tables I, 2, and 3. Usually, economists have computed such relatives only for states or regions. However, our study area has the advantage that it represents a meaningful subregional economic unit which is much more homogeneous with reference to agricultural, demographic, climatic, physiographic, and cultural characteristics than are such larger and more arbitrary political units. As such it can be considered rather typical of those parts of the Southeastern region in which cotton has never been a significant staple crop.

<sup>1.</sup> See my two-part article, "Some Foundations of Economic Development in the Upper East Tennessee Valley, 1850-1950", Journal of Political Economy, August and October, 1956, pp. 277-302, 400-415; my study of agricultural characteristics in the same study area, "The Effects of Industrial Development on Tennessee Valley Agriculture, 1900-1950", Journal of Farm Economics, December 1956 (Proceedings), pp. 1636-1649; and my parallel study of population characteristics, "Human Resources and Industrial Development in the Upper East Tennessee Valley, 1900-1950", Quarterly Journal of Economics, May 1957. All of these studies are part of a larger research project (cf. my article, "A Research Project on Southern Economic Development, with Particular Reference to Agriculture", Economic Development and Cultural Change, October 1952, pp. 190-195) under way at Vanderbilt University, thanks to the generous financial support of the Rockefeller Foundation.

While these statistical time series of relatives are a mere by-product of the more analytical parts of my broader research project, they are of considerable value and interest in and of themselves. Covering a time span of an entire century, they indicate the extent to which the gap in economic development between the non-cotton South and the nation as a whole has widened or narrowed over the years. Embracing manufacturing, trade, employment, income, population, and agricultural characteristics, they are sufficiently comprehensive to highlight the numerous dimensions of the area's lag in economic development. Finally, they demonstrate the limits of an exhaustive effort to construct as many socio-economic indexes as possible from the data available on a county-unit basis in the various decennial censuses since 1850.

In computing each time series, I have made considerable effort to render the basic statistical data for the study area and the United States comparable over time and comparable in a given year. With few exceptions (cf. particularly footnote 4 below), comparability of the latter type has been achieved to my own satisfaction. However, the comparability over time of each time series has been subject to the vagaries of changing census concepts and definitions, the influence of which could rarely be eliminated. Nonetheless, the broad trends in most time series of relatives appear to be reasonably reliable.

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# Industrial-Urban Development

In 1860, per-capita value added by manufacturing in the study area stood at only 17 per cent of the national average. Such manufacturing as then existed in the East Tennessee Valley was largely based on local raw materials--grain, iron, lumber, leather, salt, and gypsum--most of which had either played out or lost out to interregional competition by 1890. In the latter year, the study area's per-capita value added reached a low of 8 per cent of the national average. Thereafter, the relative for the study area gradually increased to 27 per cent in 1930, doubled to 55 per cent in 1940, and then increased moderately to 62 per cent in 1947 (Table 1). By 1947, the East Tennessee Valley study area had achieved a relatively sound and well-diversified industrial development.

Productivity (value added) per manufacturing worker, which had been 80 per cent of the national average in 1860, ranged between 48 and 68 per cent during 1870-1930, then increased sharply to 83-85 per cent in 1940-1947. Annual wages per manufacturing worker, after a precipitous drop from 77 to 28 per cent during 1860-70, recovered to 61-69 per cent during 1900-1930, then rose to 78-81 per cent in 1940-47. By the latter years, annual earnings per employee in retail trade were only slightly lower, 77-78 per cent of the national average. In 1949, the median of county median (net cash) incomes of all urban families in the study area was 71 per cent of the national median, as compared with 77 per cent for its rural nonfarm families, and 61 per cent for its rural farm families. Relative manufacturing employment (according to our cruder long-term series), after falling from 29 to 19 per cent of the national average during 1860-90, steadily increased to 79 per cent in 1947. According to the more accurate short-term series, relative manufacturing employment rose from 60 to 89 per cent of the national average during 1930-50, with 23 per cent of all employed persons in the study area engaged in manufacturing in the latter year. In 1950, females accounted for 20 per cent of total employment and 24 per cent of manufacturing employment in the area, or 73 and 98 per cent respectively of the corresponding national averages.

Table 1. Indexes of Manufacturing, Trade, and Employment Characteristics of the Upper East Tennessee Valley Study Area, 1850-1950 (U. S. Average = 100)<sup>2</sup>

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26         19         13         19         10         20         na         na<	Value manufactures per capita	16	20	12	12	6	17	na	22	26	46	na
orker 71 95 58 70 57 74 na 68 56 56    110 90 61 107 61 86 na		26	19	13	19	10	20	na	na	na	na	na
orker         71         95         58         70         57         74         na         69         55           110         90         61         107         61         86         na         na <td< td=""><td>- prom</td><td>na</td><td>80</td><td>20</td><td>62</td><td>48</td><td>65</td><td>na</td><td>68</td><td>56</td><td>83</td><td>85</td></td<>	- prom	na	80	20	62	48	65	na	68	56	83	85
the second state of the se	Value manufactures per manufacturing worker	71	95	58	70	57	74	na	69	55	69	na
1	Value capital per manufacturing worker	110	06	61	107	61	86	na	na	na	na	na
254 242 217 213 196 187 169 157 151  na na na na na 150 150 172 179 184  0 0 0 0 9 11 15 25 34  na na na na na na na na 194 na na 236  na 188  na 105  na n	Annual earnings per manufacturing worker	na	77	28	39	44	61	na	69	65	78	81
254         242         217         213         196         187         169         157         151           na         na         na         na         150         159         172         179         184           na         na         na         na         150         150         172         179         184           na         na         na         na         150         11         15         25         34           na         na         na         na         na         194         na         na         236           na         na         na         na         na         na         194         na         23         34           na         na         na         na         na         na         na         na         236         34           na         na         na         na         na         na         na         na         168         168           na         na         na         na         na         na         na         na         168         169           na         na         na         na         na         na         na </td <td>% male work force in manufacturing</td> <td>27</td> <td>59</td> <td>29</td> <td>25</td> <td>19</td> <td>30</td> <td>na</td> <td>36</td> <td>55</td> <td>74</td> <td>42</td>	% male work force in manufacturing	27	59	29	25	19	30	na	36	55	74	42
na         na         na         150         159         172         179         184           na         na         na         na         194         na         na         25         34           na         na         na         na         na         194         na         na         25         34           na         na         na         na         na         na         na         na         236         34           na         na         na         na         na         na         na         na         231         168         34           na         na         na         na         na         na         na         na         168         31         <	Population per square mile	254	242	217	213	196	187	169	157	151	162	155
utilities         0         0         0         9         11         15         25         34           na         na         na         na         na         194         na         236         2           na         na         na         na         na         na         na         231         2           na         na         na         na         na         na         na         168         2           na         na         na         na         na         na         na         168         2           na         na         na         na         na         na         na         na         168         2           na         na         na         na         na         na         na         168         2           na         na         na         na         na         na         na         160         174           na         na         na         na         na         na         na         161         18         162           na         na         na         na         na         na         na         162         16      <	% population rural	na	na	na	na	150	159	172	179	184	187	188
utilities         na         na         194         na         236         2           na         na         na         na         na         na         231         2           na         na         na         na         na         na         na         168         2           na         na         na         na         na         na         na         168         2           na         na         na         na         na         na         na         168         2           na         na         na         na         na         na         na         174         18           na         na         na         na         na         na         na         174         18         18         18         18         18         19         18         19         19         19         19         19         10 <td< td=""><td>% population urban</td><td>0</td><td>0</td><td>0</td><td>0</td><td>6</td><td>11</td><td>15</td><td>25</td><td>34</td><td>34</td><td>39</td></td<>	% population urban	0	0	0	0	6	11	15	25	34	34	39
trilities na na na na na na na 168 2  na na na na na na na na 168 2  na na na na na na na na na 168 2  na na na na na na na na na 174  na 105  na n	% population rural-farm	na	na	na	na	na	194	na	na	236	244	289
trilities na na na na na na na na 168 2  na 168 2  na 174  na 105  na n	% employed in agriculture	na	231	227	239							
trilities na na na na na na na na na 74  na 60  na na na na na na na na na 54  na na na na na na na na na 105  na n	% employed in mining	na	168	230	228							
trilities na na na na na na na na 60  utilities na na na na na na na 54  na na na na na na na na 54  na na na na na na na na 105  na 14  na n	% employed in construction	na	74	80	105							
trilities na na na na na na na na 53  na na na na na na na na na 54  na na na na na na na na 61  na na na na na na na na na 14  na n	% employed in manufacturing	na	09	79	88							
na         na         na         na         na         na         54           na         na         na         na         na         61           na         na         na         na         na         61           na         na         na         na         na         61           na         na         na         na         na         65           na         na         na         na         na         105           na         na         na         na         na         63           na         na         na         na         na         na           na         na         na         na         na         na           na         na         na		na	53	58	65							
na         na         na         na         na         na         61           na         na         na         na         na         65           na         na         na         na         na         65           na         na         na         na         na         105           na         na         na         na         na         105           na         na         na         na         na         14           na         na         na         na         na         17           na         na         na         na         na         na           na         na         na         na         na         na           na         na         na         na         na         na           na         na         na	% employed in wholesale and retail trade	na	54	55	7.1							
na         na         na         na         na         na         na         65           na         na         na         na         na         na         105           na         na         na         na         na         na         105           na         na         na         na         na         na         14           na         na         na         na         na         na         40           na         na         na         na         na         na         40           na         na         na         na         na         na         na         na           na         na         na         na         na         na         na         na         na         na         na           na         na         na         na         na         na         na         na         na         na         na           na	% employed in all others	na	61	62	69							
105   105	% employed female	na	65	64	73							
14	% manufacturing employed female	na	105	95	86							
1	Wholesale trade per capita	na	14	22	25							
ies na	Retail trade per capita	na	40	44	55							
ies na na na na na na na na 63  na na na na na na na na na 77  na n	Service receipts per capita	na	27	36								
ies na na na na na na na na na 77  na n	Retail sales per establishment	na	63	69	69							
ies na	Annual earnings per retail employee	na	22	22	78							
na n	Income payments per capita	na	41	56								
na n	Median income, urban families	na	71									
families na	Median income, rural nonfarm families	na	22									
na na na na na na na 41		na	61									
	Farm family level of living	na	41	41	09							

2. For sources and definitions of the individual time series, see my articles, "Some Foundations of Economic Development, ...", op. cit., Tables 5 and 11, pp. 285, 402; and "Human Resources....", op. cit., Tables II and III.

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During 1850-1950, the study area's population density steadily increased from 20 to 79 per square mile, but because the rate of increase for the nation at large was much greater, the relative for the study area dropped steadily from 254 to 157 during 1850-1920, ranging from 151 to 162 thereafter. The study area had no urban population during 1850-80 and was 23 per cent urban in 1950. It gradually increased its urban population relative to the nation as a whole during 1880-1950, with the biggest gains during 1880-90 and 1920-40, but even in 1950 its relative urban population was only 39 per cent (54 per cent if Knox county is added) of the national average. Thus, with 62 per cent of the national per-capita value added and 89 per cent of the nation's relative manufacturing employment, the Upper East Tennessee Valley had industrialized with a much lower degree of urbanization than had the nation as a whole.

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Largely as a consequence, the study area still lagged much further behind the nation in the service industries than in manufacturing. 3 For example, while

3. Because our study area was chosen primarily for purposes of intra-area comparisons, it was felt that the omission of Knox County (contiguous to the west of the study area) was desirable in order to prevent this older and more diffusely influential metropolitan area from unduly dominating the relationships studied. However, for purposes of comparison with the nation at large, the omission of Knox county from the study area tends to distort the picture somewhat, particularly with reference to the relative importance of wholesale trade and the service industries. Thus, in the latter areas of economic activity, our entire study area to some extent was within the orbit of Knoxville. This fact becomes apparent in the following comparisons between the relatives (U. S. average = 100) for our study area and for our study area plus Knox county:

	Knox C	County
	Excluded	Included
% of total employed persons in		
Agriculture, forestry, and fisheries	239%	1809
Mining	228	176
Manufacturing	89	89
Construction	105	118
Transportation, communications, and utilities	65	81
Wholesale and retail trade	71	86
All other	69	81
Per Capita:		
Retail sales	69	67
Wholesale sales	25	45
Service receipts	36	57
Value added by manufacturing	62	64
Income payments	56	83
% of total population urban	39	54

It will be noted that, in wholesale trade and the service industries, (though not in retail trade or manufacturing), the inclusion of Knox County closed much of the gap between our area and the nation. Even the inclusion of Knox County, however, would not have upset our generalizations about the study area excluding Knox County.

it closed the gap in the service industries considerably during 1930-50, the study area's relative employment in transportation, communication, and utilities, in wholesale and retail trade, and in other services in 1950 still was only 65-71 per cent of the national average as compared with 89 per cent for relative manufacturing employment. In terms of per-capita sales in the late 1940's, its retail trade, service establishments, and wholesale trade were still only 55, 36, and 25 per cent, respectively, and its per-capita income payments 56 per cent, of the corresponding national averages. Apart from relative agricultural (239) and mining (228) employment, only in relative construction employment (105) per cent had the area surpassed the national average in 1950.

During 1900-1950, the study area's rural population declined from 95 to 77 per cent, and its rural-farm population from 69 to 41 per cent, of its total population. Nevertheless, relative to the more rapidly urbanizing nation, the study-area averages rose from 159 to 188 per cent, and from 194 to 289 per cent, respectively. According to our crude long-term series of relative agricultural employment, the percentage of the area's male work force engaged in agriculture fell from 96 per cent in 1850 to 84 per cent in 1900, 74 per cent in 1920, and 30 per cent in 1950. Even so, the study area's relative agricultural employment was more than twice the national average throughout most of the century, reaching a peak of 289 per cent in 1920 and standing at 248 per cent (approximating the 1860 level) in 1950.

# Trends in Population Characteristics

Indexes of Population Characteristics

Table 2.

The total population of the study area was 177,000 in 1850; 380,000 in 1900; and 617,000 in 1950, in spite of an estimated loss of population during the century of some 550,000 people through net outmigration. According to my rough estimates, net outmigration per decade averaged about 9 per cent of the initial population during 1850-1900, 14 per cent during 1900-20, 6 per cent during 1920-40, and 12 per cent (or 8 per cent if adjacent Knox county is added to the study area) during 1940-50.

Throughout 1850-1950, the study area's population was predominantly native-born white, the percentage increasing from 90 to 97 per cent during the century. The relative importance of native-born whites ranged from 123 to 127 per cent of the national average during 1860-1910, then gradually decreased to 117 per cent by 1950 (Table 2). The study area's non-whites declined during the century from 9.7 to 2.7 per cent, with a lower percentage than Connecticut's in 1950. As compared with the national average, the area's relative non-white population declined from a peak of 74 per cent in 1870 to only 26 per cent in 1950. Foreign-born whites comprised a negligible percentage of the study area's population, with a peak of 0.51 per cent in 1910 (when coal and lumbering operations were being initiated on a large scale) and with only 0.27 per cent in 1950. The relatives were at highs of only 4 per cent of the national average in these two years.

Turning to vital statistics, we find that the study area's average crude birth rate was 31 in 1850, 36 in 1880, 29 in 1930-40, and 25 in 1950. Relative to the national average, the study area's crude birth rate increased from only 113 per cent in 1850 to 142-146 in 1930-40, then (with the substantial rise in the national birth rate during the 1940's) fell to only 104 per cent in 1950. The

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	1850	1860	1870	1880	1890	1900	1910	1920	1930	1940	1950
% population native white	na	124	124	123	126	126	127	124	123	119	117
% population foreign-born white	na	2	1	1	2	-	4	2	2	2	4
% population non-white	62	68	74	68	09	20	47	41	35	30	26
Crude birth rate	113	na	na	124	na	na	na	122	142	146	104
Crude death rate	61	na	na	84	na	na	na	85	93	81	82
Crude rate of natural increase	169	na	na	167	na	na	na	165	202	226	118
Fertility rate	118	na	na	128	na	na	na	na	156	152	103
% births without physicians	na	160	150								
Infant mortality rate	na	na	na	7.1	na	na	na	na	94	106	135
% completeness birth registration	na	87	97								
Mean size of family	106	109	na	na	110	112	111	113	116	120	119
% male population 0-20 years	112	115	117	119	122	123	125	126	126	128	123
% male population 0-4 years	118	114	119	129	123	131	na	na	136	138	110
% male population 5-17 years	116	107	118	118	124	120	na	na	125	128	131
% male population 18-44 years	84	98	84	85	84	84	na	82	86	94	97
% male population 45 and older	87	98	88	81	81	85	na	88	83	75	78
Median age, male population	81	26	na	na	na	na	na	na	22	62	82
Median age, female population	89	83	na	na	na	na	na	na	42	43	82
% female population 0-20 years	106	109	na	na	na	na	na	122	124	129	125
% female population 0-4 years	112	109	na	118	na	na	na	na	133	141	111
% female population 5-17 years	109	111	108	109	115	114	na	na	123	128	132
% female population 18-44 years	91	91	na	na	na	na	na	88	90	94	16
% female population 45 and older	88	89	na	na	na	na	na	81	42	74	22
Males per 100 females, all ages	95	96	93	94	97	16	16	66	100	100	100
Males per 100 females, 0-4 years	101	100	na	103	na	na	na	na	102	98	66
Males per 100 females, 5-17 years	101	101	101	102	104	102	na	na	101	100	66
Males per 100 females, 18-44 years	88	90	na	na	na	na	na	93	96	100	66
Males per 100 females, 45 and older	93	92	na	na	na	na	na	107	105	102	101
Illiteracy rate	316	na	235	na	na	284	208	207	220	na	na
% children 16-17 in school	na	na	na	na	na	na	118	116	82	71	94
Median years school completed	na	· na	84	84							
School tax or expenditures per child	24	na	na	27	17	14	30	42	44	47	57
General property tax per capita	na	na	17	18	20	21	25	32	27	na	na

For sources and definitions of the individual time series, see my articles
"Some Foundations of Economic Development...", op. cit., Table 11,
p. 402; and "Human Resources...", op. cit., Table V.

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area's fertility rate (births per 1000 women of 15-44 years) showed a similar trend from 118 per cent in 1850 to 152-156 in 1930-40 and 103 per cent in 1950. With the median age of its population mostly ranging only from 76 to 82 per cent of the national median during 1850-1950, the study area's crude death rate was consistently less than the national average, falling between 81 and 85 per cent except in 1850 (61 per cent) and 1930 (93 per cent). The area's crude rate of natural increase, 22-23 in 1850-80 and 17-20 during 1920-50, was 65-69 per cent above the national average in 1850-80, over twice the national average in 1930-40, but only 18 per cent above in 1950 following the national "baby boom" of the 1940's. The area's mean size of family was also consistently above the national average, increasing from 106 per cent in 1850 to 119-120 per cent in 1940-50. While the area cut its infant mortality rate from 70 to 41 during 1930-50, national progress was greater, so that the area's relative rose from 94 to 135 per cent of the national average in the same period.

During 1850-1950, because of higher fertility rates and continuing substantial outmigration, the study area consistently had larger percentages of its population in the younger age groups and smaller percentages in the middle and older age groups. The area's relative male population in the age-group 0-4 years gradually increased from 114-119 per cent of the national average in 1850-70 to 136-138 per cent in 1930-40, then dropped to an all-time low of 110 per cent in 1950. Its relative male population in the age-group 5-17 years showed a more gradually upward trend from 116 to 131 per cent of the national average during the century. The area's percentage of males in the most productive age-group, 18-44 years--the ages most affected by migration, ranged narrowly between 82 and 86 per cent of the national average during 1850-1930, but increased rapidly thereafter to 97 per cent in 1950. The area's relative male population of 45 and older was 81-88 per cent of the national average during 1850-1930, but dropped to 75-78 per cent in 1940-50. The age distribution of the female population showed quite similar trends.

The number of males per 100 females, all ages, in the study area tended to be somewhat below the national male-female ratio in the earlier years, with lows of 93-94 per cent in the immediate post-bellum years 1870-80, but gradually rose until it was at the national average during 1930-50. The male-female ratio in the age-groups 0-4 and 5-17, as might be expected, closely approximated the national average throughout 1850-1950. For the age-group 18-44 years, however, the study area's male-female ratio was only 88-90 per cent of the national average in 1850-60, reflecting the tendency of the outmigration of that period to be male-selective. Nonetheless, during 1920-50, the study area's male-female ratio 18-44 increased from 93 to 99-100 per cent of the national average--probably because increasing nonfarm job opportunities within the area itself kept more males in their middle years at home, because outmigration from the area increasingly involved families rather than single males, and because of declining female deaths from child birth. The male-female ratio for the ages 45 and over showed a similar tendency from 92-93 per cent in 1850-60 to 101-102 per cent (non-institutional population) in 1940-50, the higher relatives for 1920-30 probably primarily reflecting for those years our inability to adjust for an institutional population dominated by older males. (Such an adjustment lowered the relative from 104 to 101 in 1950.)

The inclusion of Knox County would have moved the averages for the study area's population slightly, but not markedly, toward the national average

Our time series of education indices are quite incomplete. However, it is clear that, relative to the nation as a whole, the study area's educational attainments failed to keep pace during 1850-1900 but improved substantially thereafter. Thus, while school income or taxes per child of school age in the area declined from 57 to only 14 per cent of the national average during the first half of the century under study, during the period 1910-50 instructional expenditures per enrolled school child rose steadily from 30 to 57 per cent of the national average. In both 1850 and 1900, the study area's illiteracy rate was around three times the national average; thereafter, even though the percentage of the population illiterate fell from 23 to 9 per cent during 1900-1930, the rate remained at about twice the national average. At the other extreme, while the area had 49-50 per cent of its children of 16-17 years attending school during 1910-1940 and 57 per cent in 1950, it's relative position declined from 116-118 to 71-76 per cent of the national average between 1910-20 and 1940-50, when the median years of school completed by its population were 84 per cent of the national median.

# Agricultural Development

During 1850-1920, improved land as a percentage of the study area's total land in farms increased from 31-63 per cent, leveling off thereafter at 57-61 per cent (Table 3). With a consistently much larger percentage of its farmland in woodland throughout the century, the study area appears to have steadily increased the amount of land cleared of woods as the pressure of its population upon the farmland supply grew apace. (The percentage of its farmland in woodland fell from 55 per cent in 1880 to 26-29 per cent in 1930-50.) As a result of this local population pressure, in conjunction with the late settlement of much semi-arid rangeland in the West, the study area's relative improved farmland was only 79-86 per cent of the national average during 1850-90 but above the national average thereafter, rising to an alltime high of 129 per cent in 1950. As a region of small, largely self-sufficing farms, the study area's farm tenancy rate, virtually at the national average in 1880, gradually declined to 64-66 per cent of the national average in 1920-50, only 17 per cent of its farms being tenant-operated in 1950.

During 1850-1950, the agriculture of the Upper East Tennessee Valley shifted from a predominantly grain-livestock economy to a tobacco-hay-livestock economy. In 1860, the area's production of corn, wheat, and oats per 1000 acres of improved farmland was 109-120 per cent of the national average. By 1880, however, with the rich virgin soils of the Midwest and Great Plains increasingly dominating the nation's grain production, the study area's wheat and oat production per 1000 acres had fallen to only 58-59 per cent and corn per 1000 acres to 76 per cent of the national average. Even in 1880, the area's

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<sup>(= 100),</sup> as shown by the following comparisons, without and with Knox County for 1950: Crude birth rate, 104 and 102; crude death rate, 82 and 85; crude natural increase, 118 and 114; fertility rate, 103 and 99; per cent of male population 18-44, 97 and 99; per cent of female population 18-44, 97 and 100; and males per 100 females, 99 and 98. The area's net outmigration rate for 1940-1950 would have dropped from 12 to 8 per cent of the 1940 population.

Table 3. Indexes of Agricultural Characteristics of the Upper East Tennessee Valley Study Area, 1850-1950 (U. S. Average = 100)

	1850	1860	1870	1880	1890	1900	1910	1920	1930	1940	1950
% male work force in agriculture	215	241	198	190	236	238	242	289	235	232	248
Average value per acre, all farmland	47	67	41	49	63	20	73	72	116	153	166
% all farmland improved	80	85	82	79	86	114	109	119	107	122	129
% all farmland in woodland	na	na	na	156	na	na	176	193	191	202	152
% all farms tenant-operated	na	na	na	66	73	85	74	99	99	65	64
Per 1000 acres improved farmland:											
Wheat production	29	115	89	58	89	69	52	58	41	61	37
Oat production	172	109	75	59	45	20	17	14	9	2	20
Corn production	128	120	89	94	48	68	86	109	118	110	88
Tobacco production	4	17	13	25	7.1	37	43	140	509	631	839
Hay production	27	29	22	26	42	42	56	63	94	111	143
Fertilizer expenditures	na	na	na	28	59	86	72	70	80	140	149
No. of sheep	104	98	91	62	67	42	49	33	58	49	09
No. of swine	148	140	127	104	87	06	99	73	62	91	69
No. oof all cattle	101	69	45	71	99	48	86	87	113	109	130
No. of horses and mules	124	66	78	88	82	79	82	86	103	132	235
No. of oxen	38	71	117	92	203	na	na	па	na	na	na
No. of tractors	•	•	1	•	1	1		na	26	18	63
Value of livestock	96	90	29	72	82	29	80	85	104	108	119
Value of farm machinery	62	29	48	55	59	53	26	51	89	73	120
Value of farm land and buildings	58	79	20	62	74	62	29	61	108	125	129
Value all farm capital	63	80	53	63	75	62	89	62	106	119	127
No. of farm workers	84	84	88	96	120	128	138	145	184	198	219
Value of farm products	na	na	54	56	65	75	81	72	102	111	96

Per Farm:											
Acres of all land	126	132	131	104	86	29	57	52	45	36	58
Acres of improved land	101	112	106	82	73	89	62	62	48	44	37
Value of livestock	97	101	7.1	59	09	45	20	52	20	47	44
Value of farm machinery	63	75	51	45	44	36	35	32	33	32	45
Value of farm land and buildings	59	88	54	51	54	42	42	44	52	55	48
Value of all farm capital	64	06	26	52	55	42	42	39	51	52	47
No. of farm workers	84	95	95	43	88	87	98	88	89	87	81
Value of farm products	na	na	22	46	48	51	51	44	49	49	36
Per farm worker:											
Value of livestock	115	107	75	75	69	52	58	59	57	55	54
Value of farm machinery	75	80	54	58	20	42	41	35	37	37	55
Value of farm land and buildings	02	93	99	65	62	48	49	42	29	63	59
Value of all farm capital	92	95	59	99	63	49	20	43	58	09	28
Value of farm products	na	na	09	28	55	28	29	52	99	99	44
% of improved farmland in:											
Wheat	na	na	na	124	129	112	92	74	53	10	33
Oats	na	na	na	161	109	28	38	28	10	10	22
Corn	na	na	na	113	113	101	102	118	122	123	87
Tobacco	na	na	na	45	100	29	52	124	406	554	736
Hay	na	na	na	37	53	52	89	72	107	123	164
Yield per acre:											
Wheat	na	na	na	47	52	61	26	78	18	88	111
Oats	na	na	na	36	41	34	44	48	24	68	91
Corn	na	na	na	19	10	67	83	93	26	88	101
Tobacco	na	na	na	99	72	63	84	114	126	114	116
Hay	na	na	na	69	78	81	81	88	87	81	87

ment...", op. cit., Table 8 (pp. 296-97), and "Some Effects of Industrial Development...", op. cit., Appendix Table 1, pp. 1638-39. For sources and definitions of the individual time series, see my articles, "Some Foundations of Economic Develop-6.

percentage of improved land in these grains was still 113-161 per cent of the national average, but, with its grain yields only 36-67 per cent of the national average, its total grain production per 1000 acres fell far below.

Between 1880 and 1950, with the area's percentage of improved land in wheat falling from 124 to 33 per cent of the national average, a steady increase in the area's wheat yields from 47 to 111 per cent did not suffice to prevent a drop in wheat production per 1000 acres from 58 to 37 per cent of the national average. During the same period, despite the fact that the area's relative oat yield increased from 36 to 91 per cent of the national average, its percentage of improved land in oats fell from 161 to 22 per cent and its relative oat production per 1000 acres from 59 to 20 per cent. Throughout 1850-1940, the study area devoted a larger percentage of its improved acreage to corn than did the nation as a whole, with a peak at 118-123 per cent of the national average during 1920-40, after which its relative corn acreage dropped sharply to only 87 per cent in 1950. Although the area's corn yields increased from 67 to 101 per cent of the national average between 1880 and 1950, only during 1920-40--a cynic might add, during the period of prohibition--did its total corn production exceed the national average (by 9-18 per cent), dropping back to 88 per cent in 1950.

These trends in grain production reflect the failure of the area's initially important cash grain crop, wheat, to survive interregional competition after 1860; the importance of corn to a self-sufficient farm economy faced by increasingly heavy population pressure on the land; and a shift in recent years toward more soil-conservative grassland farming. The fact that the area steadily closed the gap between its grain yields and the nation's probably reflects the increasing intensity of its cultivation, improved seed varieties and cultural practices, and the retention of only the better land in grain production as the latter's magnitude was reduced.

Offsetting the study area's declining grain economy was the marked expansion of hay and tobacco production. During 1880-1950, the area's hay yields improved only moderately from 69 to 87 per cent of the national average, but with the percentage of its improved land in hay soaring from 37 to 164 per cent of the national average, its relative production per 1000 acres rose from 26 to 143 per cent. Equally important, with the introduction of burley tobacco as a much-needed new staple cash crop after 1900, the area's tobacco production per 1000 acres rose from 37 to 839 per cent of the national average during 1900-50, thanks both to a comparable increase in its relative tobacco acreage and to a rise in relative tobacco yield from 63 to 116 per cent. The fact that the area's fertilizer expenditures per 1000 acres increased from 28 to 98 per cent of the national average during 1880-1900 probably reflects the generally increasing intensity of the area's cultivation during that period, but much of the subsequent increase from 70-72 per cent in 1910-20 to 149 per cent in 1950 is largely attributable to the rapid expansion of tobacco production and to tobacco producers' response to federal acreage restrictions after 1930.

Relative to the national agricultural economy, the intensity of the study area's livestock economy declined considerably from 1850-60 to 1870-1910, then steadily increased thereafter to 1950. Thus, the area's value of all livestock per 1000 acres of improved land was 90-96 per cent of the national average in 1850-60, ranged from 67 to 82 per cent in 1870-1910, but then rapidly rose to 119 per cent in 1950. Whereas in 1850 the study area's number of swine per 1000 acres had been 148 per cent of the national average, its relative

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swine numbers sharply declined to only 66 per cent in 1910, thereafter (except in 1940) levelling off at 62-73 per cent. Sheep numbers per 1000 acres, after declining from 104 to 33 per cent during 1850-1920, showed some recovery to 60 per cent in 1950. Cattle (excluding working oxen) per 1000 acres, 101 per cent of the national average in 1850, reached lows of 45-48 per cent in 1870 and 1900, then showed a sharp upward trend to 130 per cent in 1950. Thus, the revival in the area's livestock economy after 1900 was dominated by increasing cattle numbers, although relative sheep numbers also increased to a modest extent.

In terms of draft power, per 1000 acres in the study area, horses and mules gave some ground to oxen during 1850-1900, but quickly regained their dominant position thereafter. By 1930, the area's number of horses and mules per 1000 acres was again above the national average (103 per cent) but its tractor numbers per 1000 acres were only 26 per cent of the national average. While the area's tractor numbers per 1000 acres had risen to 63 per cent of the national average by 1950, its number of horses and mules per 1000 acres had declined much less rapidly than in the nation as a whole, having risen to more than twice the national average by that time. The area's relative value of farm implements and machinery per 1000 acres, after falling from 62-67 per cent of the national average in 1850-60 to 48-59 per cent in 1870-1920, increased rapidly from 51 to 120 per cent during the modern period of farm mechanization, 1920-50. That its value of machinery per 1000 acres exceeded the national average in 1950 primarily reflects the area's greater number of farms per 1000 acres, however, rather than the high degree of mechanization per farm.

The study area's relative value of farm land and buildings per 1000 acres during 1850-1920 fluctuated without perceptible trend between 50 and 79 per cent of the national average, but increased rapidly from 61 to 129 per cent during 1920-50, reflecting the increasing intensity of use of the area's farmland for both agricultural and residential purposes and the increasing capitalization of high per-acre income from tobacco into land values. (Because of the dominant importance of farm real estate in the area's total farm capital, all capital per 1000 acres showed almost identical movements.) Surprisingly enough, in absolute terms, the study area's number of farm workers per 1000 acres was nearly constant at 38-39 workers throughout 1850-1920 with the exception of 1850 (42) and 1880 (34), indicating that outmigration and land clearing had kept farm population and improved land closely in line at their initial levels over the entire period. During 1920-50, the ratio of workers to improved farmland actually declined from 38 to 27, thanks largely to expanding local nonfarm job opportunities. Even so, the area's decline was far less than the nation's, with the relative number of farm workers per 1000 acres increasing from 84 to 219 per cent of the national average during 1870-1950. The area's gross value of farm products (gross income from farming) per 1000 acres, after gradually increasing from 54 per cent of the national average in 1880 to 72-81 per cent in 1900-1920, rose rapidly to 96-111 per cent in 1930-50 as tobacco became the dominant cash crop in the area.

Despite these upward trends, particularly after 1900, in the study area's relative value of farm capital and farm output per 1000 acres of improved land, the gains were largely dissipated by the increasing number of farms (and farm families) in the area sharing the use of this farmland. Thus, between 1860 and 1950, the area's average size of farm steadily declined from 274 to 62 acres and improved land per farm from 94 to 37 acres, whereas nationally from 1900-1910, the average size of farm, in terms of all or only improved land, showed a

substantial upward trend. As a consequence, the study area's average acreage of all land per farm declined from 126-131 per cent of the national average in 1850-70 to 59 per cent in 1900 and only 29 per cent in 1950; the corresponding relatives for improved land per farm were 101-112, 68 and 37 per cent in 1950.

Relative to the nation as a whole, the study area's value of farm capital (and its several components) per farm also declined sharply during 1860-1900 In 1860, the area's farm capital and real estate investment per farm had been at a peak of 88-90 per cent, but by 1900-1910 were only 42 per cent, of the national average. Thereafter, they increased to 52-55 per cent in 1930-40, but slipped back to 47-48 per cent in 1950. The area's relative livestock investment per farm, which had slightly exceeded the national average (101) in 1860, was only 45 per cent in 1900 and, despite some temporary gain to 50-52 per cent during 1910-30, stood at only 44 per cent in 1950. The corresponding relatives for machinery investment per farm were 75, 36, 32-35, and 45 per cent, respectively. The area's relative gross value of farm product (gross income from farming) per farm showed a gradual downward trend during 1870-1950, falling from 57 per cent of the national average in 1870 to 51 per cent in 1900-1910, 49 per cent in 1930-40, and only 36 per cent in 1950. In the latter year, the average farm in the area had only 37 per cent of the improved land, 47 per cent of the capital, and 36 per cent of the gross farm income of its national counterpart. Nonetheless, while its relative number of farm workers was never again as high as in 1860-70 (95 per cent), the area's average farm still had fully 81 per cent of the workers to be found on the much larger, better capitalized national average farm in 1950. Of the area's total number of farms in 1950, 46 per cent were part time or residential farms. The latter's real estate investment per farm was 79 per cent, and their gross farm income per farm 98 per cent of the national average. The corresponding relatives for the area's average commercial (full time) farm, however, were only 50 and 41 per cent, respectively.

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The fact that the study area's average farm (commercial or part time) had only 29 per cent as much farmland, but 48 per cent as much real-estate investment, as its national counterpart reflects the study area's relatively high farm land values per acre. The area's average value per acre of farm land, after declining from 67 to 41 per cent of the national average during 1860-70, steadily increased to 70-73 per cent in 1900-1920, then soared to 166 per cent in 1950. This trend in the area's relative land values reflects the increasing density of farm dwellings per unit of farm land, the increasing investment in land through land-clearing, the lack of nonfarm job opportunities for farm residents in the non-industrial counties, the increasing competition of residential and other nonagricultural uses of land in the counties undergoing considerable industrial-urban development, the increasing capitalization of federal tobacco acreage allotments, and perhaps community utility functions which put an unduly high value on land as compared with other forms (particularly livestock) of farm investment. The result appears to have been a general overvaluation of the area's farmland relative to its productivity in agricultural uses.

It is also worth noting that, while the study area's average farm in 1950 had gross income from farming of only 36 per cent of the national average, the median net cash income of its rural farm families from nonfarm as well as farm sources was much higher (61 per cent), reflecting in this region of small farms the vital importance of local nonfarm employment to the total income of its farm people.

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Finally, subject to the limitations (particularly before 1930) of our rough and unreliable estimates of the number of farm workers, 7 how has the study area fared in relative farm capital and farm output per worker? According to our estimates, in 1860 the study area's total farm capital per worker was only slightly below (95 percent of) the national average—with only 7 per cant less real-estate investment and 20 per cent less machinery investment per worker and with 7 per cent more livestock investment per worker. By 1870, however, the study area's farm capital per worker had dropped sharply in all categories and showed a continuing downward trend for many decades thereafter, relative to the nation as a whole.

Thus, during 1860-1920, total farm capital per worker in the study area declined from 95 to a low of 43 per cent, after which it recovered to 58-60 per cent in 1930-50. Real-estate investment per farm worker showed very similar trends, ranging from 59 to 63 per cent of the national average during 1930-50. Livestock investment per worker, after falling from 115 to 52 per cent of the national average during 1850-1900, stood at 57-59 per cent during 1910-30 and 54 per cent in 1950. The corresponding figures for machinery investment per farm worker were 80 per cent in 1860, 35-37 per cent in 1920-40, and 55 per cent in 1950. Gross farm product (income) per worker fluctuated rather narrowly between 55 and 60 per cent of the national average during 1870-1910, between 52 and 56 percent during 1920-40, and reached an all-time low of only 44 per cent in 1950.

These data indicate that, throughout most of the century 1850-1950, farm workers in the study area had far less capital to work with and much lower productivity than did the average farm worker for the nation as a whole. While their relative position in total farm capital in 1930-50 was at its highest level since 1890, this recent gain does not appear to have been reflected in a comparable improvement in their relative productivity--presumably because much of the gain in capital investment represented an undue rise in the relative value of the area's farm land.

## Summary and Conclusions

Even in 1950, our Upper East Tennessee Valley study area was still a part of the generally low-income Southern region and, in fact, had median incomes per family (both rural-farm and other) which compared unfavorably with

<sup>7.</sup> In these per-worker series of relatives, the greatest shortcoming is probably the lack of comparable data on number of farm workers for study area and for the United States in each year during 1850-1920, inclusive. For the study area, I used my own estimates of the total number of makes 15 years and older living outside of cities, towns, and villages--a rough approximation of "rural-farm males" of 15 and over. Since this method of estimation was prohibitively laborious to apply to the nation as a whole, for the latter area I used the estimates of total farm employment provided by the U. S. Department of Agriculture for the same years. Only for 1930-1950 were directly comparable data (the census data on numbers gainfully employed in agriculture) available for both the counties of the study area and the nation. These same limitations also apply to the series in Table 3 above on number of farm workers per 1000 acres of improved farmland and per farm.

the region as a whole. Not only was the study area more dependent upon the primary industries (agriculture and mining) than the region at large, but it was also much less urban, had less service employment, and had higher crude natural increase and fertility rates. Its principal differential advantages over the region as a whole were its insignificant nonwhite population and its relatively well-developed manufacturing industry, which presumably at least reduced its overall disadvantage in comparison with the larger region of which it was a part

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Like the South generally, but at a substantially more rapid rate, the Upper East Tennessee Valley during 1890-1950 eliminated a major part of its deficit in manufacturing output and employment relative to the nation as a whole. In the process, it also closed much of the interregional gap in the productivity and wages of its manufacturing workers. During the same period, while the area's growth in population density failed to keep pace with the nation's, it did show a moderate gain on the nation in relative urban population. Even so, during most of the century, the study area's relative rural (and rural-farm) population and relative agricultural employment contracted less rapidly than they did for the nation as a whole.

Throughout 1850-1950, the Upper East Tennessee Valley had crude birth rates, crude natural increase, and fertility rates above the national average. Furthermore, relative to the nation as a whole, these rates contracted less rapidly in the study area. As a result, until the national population upsurge of the 1940's tended to move the area and national rates toward equality, the study area had much higher birth and fertility rates, their impact on its population growth being reinforced by the lower death rates associated with its on-theaverage younger population. Because of its higher crude natural increase and continuing substantial outmigration, the study area also consistently had larger percentages of its population in the younger age groups and smaller percentages in the older age groups. However, the percentage of the population in the most productive age-group 18-44 years--the ages most affected by migration--and the male-female ratio in the same age-group tended to move upward toward the national average during 1920-50 as local nonfarm job opportunities became more abundant. While the study area made considerable absolute progress in educating its children, it did not succeed in keeping pace with the nation in a relative sense except (after 1900) in its instructional expenditures per school child.

During 1850-1950, the agriculture of the Upper East Tennessee Valley gradually shifted from a predominantly grain-livestock economy to a tobacco-haycattle economy. From 1920 on for tobacco production, 1940 on for hay production, and 1930 on for cattle numbers and total value of livestock, the study area exceeded the national average per 1000 acres of improved farmland. In the yields of all major crops, the area steadily moved up relatively, by 1950 having tobacco, wheat, and corn yields greater than the national average. From 1930 on, the area had real-estate investment and gross farm income per 1000 acres in excess of the national average, but by not nearly so much as did its numbers of farm workers and farms per 1000 acres.

As a result, the average scale of the study area's farm firm compared very unfavorably with its national counterpart during 1930-50, having progressively declined relative to the national average since 1850-70. Thus, by 1950, the average farm in the study area had only 29-37 per cent as much land, 47 per cent as much capital, and only 36 per cent as much gross farm income as the national average, even though it had 81 per cent as many farm workers. Even if the area's many part time and residential farms (constituting 46 per cent of all farms) are eliminated, the remaining full time (commercial) farms

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scarcely made a better showing, having 50 per cent of the farm capital and 41 per cent of the gross farm output of the nation's average commercial farm in 1950. From 1870 on, the average value of an acre of farmland in the area steadily gained on the national average, during 1930-50 exceeding that average to a rapidly increasing extent as the pressure of both rural and urban population on the land supply increased. In 1870-90, each farm worker in the area had 59-66 per cent as much capital to work with as did his national counterpart and, in 1930-50, had 58-60 per cent as much. While his gross farm output (income) was 56 per cent of the national average in 1930-40, it dropped back to 44 per cent in 1950, well below its level of 1870-90.

We must conclude that, despite considerable industrial-urban development relative to the nation and Southern region during 1890-1950, the Upper East Tennessee Valley study area remained in a relatively disadvantaged position in terms of most of its socio-economic characteristics.

Elsewhere I have shown that those counties of the study area which had accounted for most of its industrial-urban development had substantially reduced or even eliminated most of their unfavorable differentials relative to the counties lacking much industrial-urban development. For example, of the study area's 20 counties, all of the seven counties ranking highest in per-capita value added by manufacturing also ranked among the top seven in median incomes of all families in 1947-49.8 Of these counties, one had a median income (all families) of 100 per cent, and two others of 81-82 per cent, of the national median. However, the remaining four counties had relative median incomes of only 63-72 per cent. The corresponding relatives for nonfarm (urban and rural nonfarm) families were 100, 85, and 67-74 per cent, respectively. Thanks to their relatively substantial off-farm incomes, the seven counties rural farm families (despite their relatively low incomes from farming) made the best relative showing in median incomes, with two counties at 97-98 per cent, two at 89-93 per cent, and three at 80-83 per cent of the national median. These data make clear that even some of the study area's more industrial-urban counties still fell substantially short of having median incomes equal to the national median.

At the other extreme, of the seven counties ranking lowest in per-capita value added, five also ranked among the bottom seven in median incomes of all families in 1949. These seven counties, which had little local off-farm employment except coal-mining, had the following lower median family incomes in 1949 relative to the national medians: all families 30-53 per cent, nonfarm families 27-72 per cent, and rural farm families 50-62 per cent. Obviously, most of these unindustrialized counties faced a much more unfavorable interregional differential in family incomes than did their more industrial neighboring counties.

<sup>8.</sup> All median income data include "unrelated individuals" with families. In terms of per-capita value added, the top seven counties included two which exceeded the national average and five at 41-74 per cent of the national average; of the bottom seven counties, none exceeded 2 per cent of the national average. The ranks of the 20 counties in per capita value added 1947 were correlated with their ranks in median income 1949 as follows: all families 0.785\*\*, urban and rural non-farm families 0.714\*\*, and rural farm families 0.783\*\*.

Such comparisons make clear that, insofar as it is soundly based, further industrial-urban development of the Upper East Tennessee Valley and the Southern region generally is certainly desirable. But they also clearly indicate that industrial-urban development must be reinforced, especially in those counties which can hardly hope to approach the best of our study-area counties in attracting industry, by much more imaginative and vigorous public policies directed at facilitating the outmigration of people and the inmigration of farm capital.

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#### THE ACCUMULATION OF CAPITAL IN A PEASANT ECONOMY\*

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The fundamental problem facing any country that is attempting to foster economic development is the provision of the necessary capital. Whether it is the purchase of materials and equipment, the founding of sound financial institutions, or the training of skilled personnel, paying for these things is the most difficult question when the economic system is already hard pressed to meet minimum consumption needs. Loans from more highly developed countries, as aid or simple economic transactions, may go some of the way towards meeting these requirements, but for all save the most favourably placed countries, the prospect is one of financing the bulk of their development costs from internal sources. In these circumstances attention has to be turned towards the "primitive sector". This will normally consist of peasant agriculturalists, who are separated from the small industrial sector not only by the primitiveness of their productive techniques, but also by the character of the institutional framework within which their economic activities are carried out. Questions arise such as, can agricultural surpluses be obtained for feeding a larger industrial working force without imports; is there disguised unemployment in agriculture so that labour can be obtained without decreasing agricultural output?

In considering these and related questions, knowledge of the social organisation of the peasantry is of prime importance, whether these institutions are regarded as representing a legitimate way of life to be protected as much as possible in the advance of industrialism, or whether they be regarded as obstacles to progress that must be overridden. In the article that follows I am attempting to describe some aspects of Malay village society relevant in this context, especially the role of capital within the peasant economy.

To the analytical economist distinctions between, say, capital and consumption goods, or between fixed and working capital, have a formal simplicity that is not so easily obtainable when an attempt is made to fit any concrete asset into its appropriate box, or to give a precise value to a theoretically distinguishable variable. These problems that beset a "proper" economist, working in terms of industrial capitalism, become even more difficult when an anthropologist attempts to describe the institutional setting of economic activity in a non-industrial society. This is because there is not to be found the same specialisation of institutions and segmentalisation of relationships that gives economic theory its descriptive significance in the analysis of modern western society. Accordingly, I am not going to attempt to bring the facts of the Malay village economy that I am describing here into line with the concepts that an economist would expect to see in an article that includes capital in its title. Rather, the subject will be treated in terms of three problems that are related, notably in that all involve adjustment of the allocation of resources over time.

The material on which this article is based was collected during a year's anthropological research in the Federation of Malaya. The author is the holder of a (British) Treasury Studentship in Foreign Languages and Cultures.

The problems are: (1) Saving. Whether the ultimate destination of the resources be properly described as capital formation or not, the arrangements for the postponing of consumption, and the accumulation of wealth, must be described in a society where there is not wide use made of a modern banking system.

- (2) Wealth. Apart from the differing connotations attaching to the idea of property in different cultural systems, there is a more purely sociological problem involved. What are the implications for the rest of the social system of the relevant economic institutions through wealth considered as economic power, and hence as part of the general status-authority system within the society.
- (3) Social Capital. Apart from privately owned forms of wealth, there are other important facilities used by members of a society, rights and obligations in terms of which have a more communal character. Some attention will have to be paid to the methods for the original provision and the maintenance of these assets.

## I. Saving

## A. Monetary character of the economy.

It is difficult to give any precise indication of the extent to which the economy is monetized. This is because there is a continual shifting between the purchase and the subsistence production of consumption goods that is largely determined by the fluctuations in the price of rubber. That is to say there is still sufficient knowledge of traditional subsistence techniques to make the substitution effects of changes in money income extremely important. Moreover, there will be variations between families, and within the same family over time, that can only be explained by "accidental" shifts of fortune. Nevertheless, it is safe to characterise the economy as modern in that there is complete familiarity with the use of money, and few situations involving the transfer of goods in which its use would not be appropriate. This is so even though temporary general scarcity may lead to the adoption of other expedients, such as payments in padi (unhulled rice). As a matter of fact there is a traditional cash value for padi that will normally provide the basis for village transactions. Thus there are few of the restrictions on the mobility of assets such as arise from arrangements like the "fixed spheres of exchange" on Tikopia. 1 In other words, money is freely used as a medium of exchange and as a standard of calculation. However, the last of the functions in the traditional definition of money, that of a store of wealth, the Malayan Dollar does not meet for the peasant.

## B. The saving of money.

Through the Post Office facilities for small savings are available to all. This moreover is well known, particularly to the younger generation, who will have been encouraged to open accounts while in school. Even so, the general preference is still for the more tangible traditional assets. This follows neither from peasant ignorance nor Islamic abhorence of usury. There are other, often intangible, satisfactions, for which the benefits of a Savings Account are not regarded as sufficient compensation.

<sup>1.</sup> R. Firth, Primitive Polynesian Economy, London, 1939.

Nor will the villager normally hoard the actual notes. Saving money recommends itself mainly to two classes. Firstly, there is the man of substance who will like to keep some money ready for an emergency and finds the inconspicuousness of a Savings Book some protection from the importuning of his family and the jealousy of the neighbors; but even for such a man cash forms only a small proportion of his savings. Secondly, the wage-earner, while away from the village, may save money, but even here there is a preference for the traditional ways as far as they can be followed; for example, the purchase of livestock to be raised on an issue-sharing basis by relatives still in the village. On the other hand, the villager can with very little hesitation give a reasonable cash estimate of the goods he is holding (and of those of his neighbors too!).

## C. Jewelry and pawnshops.

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One of the most favoured forms of saving, gold jewelry, does not yield any income at all, unless one so regards a woman's satisfaction from possession and display! (For brevity only gold will be referred to here; the same description applies to other valuables of suasa, gold-copper alloy, and emas chilup, gold plating, and of silver. This last is nowadays of negligible importance: most dealers in fact no longer handle it.) This jewelry is used as a quick source of cash when the need arises, and is, in fact, almost as liquid as ready money. In Malaya gold is sold at a fixed price that is announced on boards outside the jewelers' shops. In the form of rings, medallions, bracelets and so on, value is calculated by weight and quality of gold plus recompense for "workmanship" (upah) and it is only with regard to the latter that there is any room for bargaining. Should it be necessary to realise the jewelry for money there are two main methods available. First, all gold articles are sold with an elaborate tri-lingual receipt that states, among other things, the terms on which gold may be returned to the shop. These terms are 90% of cost less workmanship. Secondly, there are the Government licensed pawnshops that are allowed to charge 5% per month on loans of less than \$10, and 4% per month for greater amounts. Both methods are widely used and the choice between them seems to be largely determined by the sum required and the chance of redemption. Thus if the villager can see little chance of being able to redeem the article, it is advantageous to return it to the jeweler outright. But if there is only a temporary need for some small sum, an article of much greater value may be pledged to obtain it, and then not for the full amount that the broker is prepared to advance; for the villager realises full well that if he takes the money it will certainly be spent and he will either end up paying a lot of interest or else losing his valuable object through failure to redeem.

There is one limitation on the liquidity of jewelry, as opposed to money, that should be noted here. Within the household the jewelry is largely the property of the woman, though the man may possess a ring or two. This means that for the jewelry to be readily available it is necessary for both husband and wife to be convinced of the desirability of the proposed expenditure. If a crisis occurs through, say, sickness or the need to meet some ceremonial expense, the proper course would be for the woman to hand the gold over without demur. On the other hand, it would be illegitimate for the husband, having given jewelry to his wife, to expect to be able to use it for the financing of some venture of his own; indeed such an attempt would almost certainly be strongly resisted. This follows from the definition of the husband-wife relationship. First, the husband is expected to provide for the cash needs of the household, and he has little more right to expect his wife to participate in this than she has to expect him to do the

washing or pound <u>padi</u>. Secondly, although objectively, in this part of Negri Sembilan, divorce is much rarer than in some Malay areas, the women are very much aware of it as a threat to their security, and will attempt, as far as possible, to safeguard themselves and their children against future hardship through the accumulation of property, mainly jewelry and land-titles in their own name. However, it is expected that a husband will make periodic presents to his wife, and so part of the cost of gold must be written off as the cost of domestic harmony.

Goldsmiths and pawnshops thrive just before the Festival of Hari Raya Puasa, and to a lesser extent before the Festival of Hari Raya Haji. The trade will be in both directions. On the one hand, there will be people redeeming and purchasing so that their display on the big day may be as fine as possible. On the other hand, individuals less fortunately placed will be raising cash so that they may obtain more important items such as sugar and meat. The second period of great activity for the pawnshop comes with the rainy season. Then, with rubbertapping impossible, there is a great shortage of money, and hardship amongst the villagers. Besides gold, of course, many other items can be converted into cash through the pawnshop, and this possibility is borne in mind by the villager when he contemplates purchase of a fountain pen, watch, radio, bicycle, and so on. Such, in fact, was the fate of many of the items bought at inflated prices during the Korean War rubber boom.

## D. Saving from daily income.

Apart from the important role played by jewelry and pawnshops, a second notable feature of saving among the peasantry is the small amount that originates from the regular (i.e., rubber) income. This money, whether derived from owning, working one's own holding, or sharetapping, will normally be spent on the immediate consumption needs of the household as soon as it is received, often indeed on the same trip to town as the rubber is sold. Thus, for much of the time that I was in the village, there was a steady rise in the price of rubber, representing a recovery from the low prices that followed the end of the Korean War boom, without any corresponding rise in the prices of goods that are bought for daily consumption by the peasants. Even so, if rain were to stop tapping for two or three days, it soon became apparent that the majority did not have reserves at hand to carry them over even this short period. Partly this reflects also the nature of the assets preferred, which is such as to militate against their being touched to meet only a small temporary need, and also the local attitude to wealth which frowns upon the use for ordinary consumption of assets that have been turned into property, harta.

## E. The source of savings.

It is the money that comes from the larger, but more infrequent sales of padi and fruit that it is thought appropriate to turn into more permanent assets, whether these latter be properly regarded as capital or only as durable consumption goods. Since most of the work in the rice fields is done by the women, and since the land in the vast majority of cases belongs to them, a good husband will make most of the money from the sale of rice available for his wife's use. In fact, much of the money is taken in the form of leisure from the much disliked rubber tapping. That is to say, used for the purchase of household goods while the husband stops tapping for a few days at least. (In some cases they won't work until forced to do so by the fact that all the money has been exhausted,

but that is not good conduct.) Also, individuals who have no property to give them an income, and are prevented in some way from tapping, have to rely on the sale of rice to provide them with what little money they get, and then the question of saving is just ruled out by poverty. Prominent in this group are widows and divorcees, but there are also some elderly couples who are similarly placed.

If only because in a good year there will be a lot more of it, money from the sale of fruit is much more important than that from rice in saving. Questioning as to the source of money for houses under construction or projected during my stay in the village revealed that fruit sales were by far the most important item. In some cases even, materials had waited from one fruit harvest until another, in order that there might be more money for the purchase of planks or the hire of a carpenter. If a poor crop means that some project cannot be carried out to completion, the money, although allocated, will not be held as such. If the nature of the project permits it, for example building a house or a fence, materials will be purchased and stored. If not, cattle or some other tangible will be bought in the meantime. Indeed, it is common to see houses being built in stages as the money becomes available, in extreme cases even taking years before they are finally completed.

## F. Livestock as a form of wealth.

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Before leaving the subject of saving in the village, it is necessary to consider the role played by the owning of cattle. In estimating an individual's capacity to afford some major expenditure, such as a feast, the number of livestock (cattle, sheep, goats) that he owns will be listed and valued by interested observers, implying that such an occasion would be an appropriate one for realising such assets. On the other hand, to sell a cow or a buffalo, and then to use the proceeds for ordinary day-to-day consumption would be regarded as frittering away one's substance. It is important to realise here that apart from their use in padi-cultivation, as a store of wealth, and, of course, as a source of profit through the natural increase in size and numbers, cattle are a prestige-giving form of property. Viewed as an economic activity, the raising of cattle is not a very profitable enterprise. During the padi season there is an acute shortage of pasture, with the result that the larger beasts have to be fed on grass that has been labouriously collected by hand, and since, in this, man is competing with the many goats that are allowed to wander freely about the village, it is a very time-consuming operation. The answers that I received to questioning about this are revealing. I pointed out that if the time used collecting grass, building stalls, lighting anti-mosquito fires, and so on, were to be devoted to some other activity, say the tapping of extra trees or the making of thatch, the return over a year would be higher than that from cattle-raising, the same reasoning applies to finding alternative uses for the capital represented by the value of the beasts. True, they replied, but that money would be spent as soon as it was received, while with cattle one has property.

Even as a store of wealth, however, there are important disadvantages attached to the ownership of cattle. Misfortunes, ranging through sickness, through tigers, to a malicious dousing with rubber-coagulating acid (a frequent occurence to cows that are allowed to stray under people's houses at night) are liable to occur. In addition the value of the asset fluctuates with variations in supply and demand. These are not completely random, of course, and can to

some extent be allowed for, but a sudden emergency may still force the sale of the beast at an unfavourable time and result in considerable loss compared with the "fair" price. However, there is no reason to suppose that the villager is not aware of these disadvantages, and we must assume that there are other non-pecuniary compensations deriving from the very fact of ownership. This view is supported by the enthusiasm that is shown by owners for their cattle, and the general interest that can be aroused by a coffee-shop discussion of the relative merits (including the fighting abilities) of animals owned or previously owned within the village. Here there is probably a connection with the fact that, prior to the introduction of rubber, buffalo were the most important form of male private wealth and source of cash. It is said locally that rubber finished the buffalo by reducing the grazing, which is true, but rubber has also supplanted the buffalo by filling more efficiently the latter's previous economic function.

Sheep, goats, and possible chickens, take on some of the wealth properties of cattle. But they are less trouble to rear, breed quicker, and being smaller are much much more readily saleable, and should perhaps be considered more as a form of production than a means of saving.

## II. Property.

#### A. Rubber.

(1) The distribution of ownership. The most important form of property within the village is rubber. Mainly held in smallholdings of from two to three acres (though one man may own several holdings), distribution within the village is fairly even within a certain age-group. To understand the present distribution of rubber-holding, it is essential to bear in mind the consequences of the planting provisions under the restriction schemes. The men that now own rubber are, in general, those that were old enough to take advantage of the relatively short period after the introduction of the crop amongst the villagers during which planting was freely permitted, or men whose fathers did so and have since died enabling them to inherit. If there are any men within this middle-aged group that do not own land, the explanation has to be sought in their personal history and often turns out to be a misfortune that enforced the sale of a smallholding to raise money following which they have found it impossible to regain their previous position.

The restrictions have the effect of preserving the relative positions of those who are already wealthy. To acquire rubber, and to the villager rubber is overwhelmingly the most desirable form of property, it is necessary that one be able to pay the price of an already developed holding. Conversely, it is not possible for a poor man to acquire wealth through the direct conversion of his labour into a smallholding. To get detailed accounts of the development of the early holdings is no longer possible, but it seems that most important was the personal labour of the owner keeping down cash investment to a minimum. If alienation of new land were allowed to the Malay villager the same thing would occur again. Resolutions from the U. M. N. O. branches continually ask the Government to make available new land for this purpose. One of the first questions that will be asked if a new resettlement scheme is being discussed, or someone is thinking of making an application for land is "will it be 'rubber-land'".

<sup>2.</sup> P. T. Bauer, Report on a Visit to the Rubber-Growing Smallholdings of Malaya, July-September 1946, Colonial Research Publications No. 1, H. M. S. O., London, 1948.

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(2) Investment in rubber and replanting. However, the present situation, from the point of view of our interest here, is that in the most important field of economic activity there is no new investment at all. Instead, the villager is coaxed to destroy his source of income and replant. This he is reluctant to do, even though there is a grant of \$(M)500 for replanting that is considered to be of a satisfactory standard. Carefully managed, this grant should be sufficient to finance the replanting, particularly if the peasant is prepared to use his own labour as much as possible. Hence we have another area of the economy where there is no direct capital problem. Indirectly, however, there is one, and here we reach the crux of the peasant's reluctance to replant. How is a man to support himself and his family while waiting for the trees to grow? With sharetapping and catchcrops while the trees are small it would be possible for some of the people to manage without hardship, and where the trees are damaged by disease or careless tapping, this may well be the economic course. Even so, it is difficult not to sympathise with the local view that can see only folly in cutting down trees that are yielding an income while so much of their country is still covered with jungle. The result is that most of the replanting takes place on the land of those who are more interested in the accumulation of property than the enjoyment of current income. While this group includes some of the wealthier villagers, it is mainly members of the clerical class, who accumulate property in the village while they are working elsewhere, who are able to take advantage of the grant. Thus, since the cess financing the grant is levied regardless of whether the original producer is likely to be able to take advantage of the grant or not, in effect there is a subsidising of the richer by the poorer. This may well be unavoidable and unimportant, but there is another way in which the prohibition of new planting and the stress on replanting works to preserve the relative position of the wealthier. If a man owns two or three holdings it is possible for him to replant some of his property while living on the income from the rest. In time all his trees can be replaced with good new stock, so improving the productive capacity of his holding. This, moreover, while the property of the man who depends on daily tapping gradually deteriorates.

The usual method of replanting is to have the land cleared by a firewood contractor, most replanting being on the older more accessible holdings, and then to give it to a Chinese for the raising of a catchcrop of, usually, bananas. The Chinese is then responsible for looking after the general state of the holding in order that the replanting grant may be received from the Government. The "market" in which these bargains are struck is extremely imperfect, so that it is not possible to illustrate by example a "standard", or an average, agreement. Sometimes the Chinese may pay some rent, sometimes it may be he who has to fence the holding, sometimes he may have to dig the holes for planting the young rubber trees; but then again, sometimes not.

(3) Working capital in rubber production. Apart from the actual holding there is very little other capital necessary for the production of unsmoked rubber sheet. Most necessary are the cups and spoons (fitted to the tree), a knife, and a couple of buckets for the latex. These items are not expensive, and can in any case be obtained on credit against future sales of rubber, and for the same price as cash at that. This is a minor kind of indebtedness and gives no scope for exploitation by the dealer. The most that he can do is insist on the smallholder leaving his license book with him until the debt has been cleared, for in theory the peasant can not sell anywhere unless he is in possession of the book. In practise he can always borrow a friend's book and sell wherever he pleases. Rather more expensive are the machines, one smooth and one ribbed,

that are used for rolling out the sheets. The use of these however can be obtained for the payment of one dollar a month to people in the village that possess a machine. In the early days of village rubber production, the sheets were crudely rolled out with lumps of wood or empty bottles, and if the collections of latex by dealers and estates continues to gain in popularity, the fate of the mangle will be to disappear through obsolescence, so reducing even further the need for working capital.

I was able to witness one experiment in the collection of latex from the smallholders, with Malay agents working for another Malay who possessed a dealer's license, and was, in his turn, a front for the inevitable Chinese. The enterprise did not succeed. The actual tappers were suspicious of the gauge (dachi) used to measure water content, and owners who did not tap themselves were concerned about the possibilities for cheating through collusion between their "cooli" and the agent, a thing that cannot occur with the sale of sheet since the normal practise there is for the owner to go himself to sell the rubber. Despite these troubles failure was not inevitable; however, the scheme was ended by an official refusal to ratify the dealer's permission to trade in this way. What is of interest here is the basis on which decisions whether to use the new facilities or not were made during the time they were available. What was considered was relative cash advantage, including factors such as the rent of the machine and the price of acid, but not the relative disutility of labour, i.e., the time and trouble of preparing sheet rubber against the carrying of the latex to the collecting point. In circumstances where labour saved in one direction cannot readily be used to earn money in another, large amounts of labour need to be saved to offset even a small loss of cash income.

#### B. Fruit.

As was mentioned above in the section on Saving, the proceeds from the sales of fruit play a very important part in keeping the village economy viable. But despite high returns there is very little investment in the creation of new orchards. In actual fact, the "orchards" (dusun) bear little resemblance to the cultivated ordered rows that the name might suggest. A dusun of two acres will have little of this area actually bearing fruit trees, for they are really little more than concentrations of self-sown fruit trees in the jungle that are privately owned. The most that an owner will normally do will be to clear the jungle a little around the fruit trees to aid their growth relative to other trees.

However, work even of this order seems to have been done mainly in the past. This lack of investment activity is partly to be explained by a lack of suitable land (not too steep for alienation) near the villages, and partly by the nature of the local varieties of fruit. These, langsat and durian, are characterised by a long period of growth and uncertainty. For the langsat, eleven, and for the durian, nine, years of growth are necessary before there can be any hope of a return. The uncertainty takes two forms. First of all there is a considerable risk that the trees will be barren, especially since the durian does not do well outside of the jungle environment. This means that there is a long period of waiting before it can be known whether an investment has turned out well or will have to be written off. Secondly, even with trees that have previously fruited, and hence are not barren, there is considerable uncertainty as to the size or the season of the crop in any year. There is not even regularity over a small area. A bumper crop in one small valley may coincide with an almost total absence of the crop elsewhere. This would lead to competition

among the Chinese dealers and a very handsome return to the growers. But equally likely is the situation that I observed in 1955. Although the langsat crop for the District was below average, one small valley had been fortunate; accordingly excellent prices were expected, and were, in fact, received for two days. Then a glut from a neighboring District flooded the urban centre that is the primary market for both Districts and local growers were disappointed in their happy anticipations.

In these circumstances of long waiting and uncertainty it is not surprising that there is little desire to invest in the creation of orchards. There is, however, one qualification to be made to the general picture. Many of the villagers are interested in, have planted, are preparing to plant, or are "thinking about" planting, bud-grafted rambutan. A big factor here is the propaganda of the Department of Agriculture, who are also prepared to carry out the grafting and supply the material, but the interest has also rational foundations. With the rambutan there is a closer approximation to ordinary cultivation, with the clearing and fencing of small areas near the house (tanah kampong). Also with the rambutan the degree of uncertainty of yield and the period of waiting is much less than with the two traditional varieties of fruit tree. As yet, however, rambutan is still much of a new enthusiasm, and it remains to be seen whether it will eventually make an important contribution to the Malay economy in the District.

## C. Rice Production.

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- (1) The ownership of land. The other main productive asset is riceland (sawah). But since its primary importance is supplying the consumption needs of the household, and since, with renting, there is no shortage of this land locally, it is of only limited interest here. With the homestead land and house-sites (tanah kampong), riceland is normally the property of the women, descending on inheritance to their daughters. The free disposal of this land is limited by law based on the traditional custom, but transfers, even completely outside the kinship group, can occur, and are limited more by the demand for land than the strength of law. To achieve a position of wealth based solely on the accumulation of riceland would be extremely difficult, since rents are low (c. 100 gantang per acre) and the price for the product is poor. Admittedly, the possession of riceland gives prestige, and it is particularly desirable that each daughter be given an adequate portion on marriage, but accumulation by purchase beyond this point would be, and is locally considered to be, a misapplication of resources.
- (2) Investment in riceland. For the group as a whole, the limit of rice-cultivation has been reached, and so there is no investment in the sense of bringing virgin land into cultivation. Rather the problem is one of maintaining the existing land and irrigation system. In areas where the clearing of land for rice-cultivation is being undertaken, the work, while having, especially when finished, the look of being the result of some overall plan, is in fact done mainly by the uncoordinated labour of the individual families. This absence of overt planning is possible because of the traditional nature of the task, so that individuals are aware of what has got to be done, and admit the propriety of it.

# D. Some other activities.

Compared with the three sources of income noted above, all others internal to the economy are of only minor importance, though it might be argued

that the subsidy to the kampong Malays provided by the wage-earning opportunities arising from the Emergency and the enormous expansion of the Security Forces is of the same order of importance as the other three. However, this question falls outside the scope of our present paper. Of these various minor activities there are only two which involve any considerable amount of capital. These are really more important as indicators of the nature of the economy than because of the absolute size of their contribution. They are the running of village shops and taxis.

- (1) Village shopkeeping. The "Emergency", which has lasted since 1948. has meant the concentration of Chinese in fenced "New Villages", so that in general they cannot continue to run the small shops in the Malay villages. To a considerable extent their place has been taken by Malabari Muslims, but a number of Malays have also opened such small shops. The main items supplied are refreshments and household goods, but there is also some agency work, particularly the collection of attap thatch in the area I was living in. Much of the small stock carried is made available on credit from the wholesalers, and some idea of the shortage of liquid capital may be gained from the general practise of insisting that payment for thatch be taken in the form of goods. This of course also ensures a double profit and is disliked by villagers who would rather receive money to spend on better and cheaper goods in the neighboring town. Many of the villagers readily admit the inferiority of the Malay as a shopkeeper compared to the former Chinese, for price, quality, range of stock carried, and civility (i.e., allowing debts to mount up without asking for repayment or refusing credit), and it seems that the survival of these shops depends on the shopkeepers pursuing the normal economic activities of the villagers in conjunction with running his shop.
- (2) "Pirate" taxis. In the <u>mukim</u> (parish) where I lived there was only one taxi that was licensed. There were, however, eight other cars either plying for fares or available for occasional hire. This is by no means a new phenomenon, but there has nonetheless been a considerable expansion recently. This, moreover, despite vigorous official attempts to restrict the practise but which never succeed in causing more than a temporary setback. While there is a good price for rubber there will always be a brisk demand for transport among the villagers, while the Malayan car-market, with rapid depreciation of car-values, makes it relatively easy for a man to get the necessary hire-purchase deposit. Until the Government suspends the car license, one gets the prestige of owning a car, and the work is much more congenial to a Malay than rubber-tapping, though not, in fact, much more profitable.

#### III. Social Assets.

Without probing too deeply into "functional prerequisite" theory, it is still obvious that many of the things necessary for the continuance of Malay village society in its present form the society does not have the means of providing for itself.

Partly this arises from the specialisation of function by ethnic group which characterises a "plural society". Thus, when the villager has sold his unsmoked rubber sheet to one of the Chinese dealers in the nearest town, the Malay's interest in the rubber ceases, and it becomes almost exclusively the concern of the Chinese dealing network. And this case, of course, is only one example that might be given among many.

Partly also, discontinuities within what might be termed "Malay Society" are responsible. In many ways the situation corresponds closely with the type "peasant-urban" relationship that has been defined by Redfield. This means that for the vast majority of the villagers items such as roads and schools are arbitrarily provided for them, or not, by the Government, while they see themselves as merely accepting these decisions without any means of having an influence on them. At first sight this situation might seem to be merely a reflection of the colonial situation with the British controlling the Government apparatus, and this of course has been important. But a clear appraisal of the class situation prevailing will show that "Merdeka" (Independence), as currently demanded, will serve only to reinforce the position of the local aristocrat-official class without doing very much to lessen the distance between the governed and the Government. That this class has been able to adapt itself to the enormous changes that have taken place during the relatively short period of British rule may fairly be said to be a result of the colonial rule, but what is important here is that it exists. Even now this digression into politics is leading away from the description of economic organisation, so it will not be possible to discuss here the ways in which pressure might be brought to bear on the Government by the villagers to affect the provision of social assets. Instead attention will be confined solely to those items of social capital that fall fully within the scope of village society and economy. Those of importance are broadly riceworks, village paths and bridges, and religious buildings, and all of them rely on voluntary labour and contributions.

## A. Rice-irrigation.

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The problems of rice irrigation vary directly with the degree of Government participation. At one extreme the whole water supply for an area will be controlled by one large dam and supplied by the one main ditch. In such a case control passes out of the hands of the villagers. Water-level will be altered by paid labour in accordance with the dates of the Government's rice programme for the district, and the peasants tend to adopt a negative attitude toward the whole affair, leaving maintenance exclusively to the paid cooli of the Drainage and Irrigation Department. At the other extreme the Government does not enter at all. In this case the dam will be built of wood, stones, and earth annually, and labour provided cooperatively on the basis that every household that wishes to use water from the dam must provide one member for the work. The degree of formality of labour organisation is low. The task is of a traditional nature, there is general agreement on its necessity, and with the simple technology there is no specialisation of capabilities to provide a basis for leadership. Decisions as to the timing of the work are partly determined by the seasons, which leave only a narrow margin for choice, and partly by informal discussion within the village. The influence that any particular individual can bring to bear on these decisions, and the extent to which he can exercise some authority within the actual work reflect directly the general distribution of authority within the village. Apart from building the dam, it is also necessary that the irrigation channel be cleaned and repaired. Collective effort will be extended only on those parts that do not traverse or border an individual's land; for the rest the respective villagers are personally responsible.

<sup>3.</sup> R. Redfield, The Primitive World and Its Transformations, Ithaca, N.Y., 1953

## B. Roads and bridges.

Work on the village paths and bridges has much the same character as work on the old-style dams, save only that there is less pressure on the recalcitrant to play their proper part. If a path is generally used work will take place when coffee-shop discussion has mobilised the feeling that something ought to be done, and decisions have been taken as to what and when. There is, however, a new feature in the activities of the Rural Industrial Development Authority which is willing to provide money and materials, and in some cases specialist labour, when the villagers are prepared to do the unskilled work. The knowledge that these facilities are available seems to have acted as an incentive to village improvement, villagers taking pride in their own achievements and anxious not to be outdone by neighboring villages. Also of interest is the way that thinking of these schemes for improvement, and getting R.I.D.A. money for them, has come to be important within the internal politics of the village. Men in positions of authority are very anxious that others should not challenge their position by a direct approach to the villagers and the authorities with proposals for improvement schemes. If a challenger can be successful in this, it shows that his claims to authority are accepted (or at least tolerated) by his fellow villagers, and by the Government who acceded to his request as spokesman of the village.

#### IV. Conclusion

Despite the impossibility of precise measurements, it is still clear that the level at which productive investment within the village economy is proceeding is very low. This relates directly to two of the characteristics of rubber production. First of all the impossibility of getting land alienated denies expression to the widespread desire to create rubber smallholdings. Secondly, there is the low level of working capital required for the production of rubber in the village, both in relation to the value of the fixed assets, the trees, and absolutely, that is compared to the incomes that the villagers receive. If this relative unimportance of working capital is compared with the situation in industries such as fishing, one of the reasons for the absence of exploitation by debt becomes apparent. 4 Where production requires continuous heavy investment, as in boats and nets, then there is scope for the man who can advance the money for the purchase of this equipment to gain control of production, even to the extent that nominally independent producers acquire the status of little more than paid labour, or at worst, serfs. This is unnecessary in rubber production. A second feature of rubber production that is of importance in connection with indebtedness and exploitation is the regular and frequent receipt of income. Finance of poor peasantry until they can harvest the annual crop with advances of consumers' goods on credit enables the dealer to exploit the villagers, especially when he combines this with purchase of the crop. Cases of this type seem to be common in the rice-dependent areas of North Malaya under the kuncha system. With rubber tapping cash enters the house every few days, and the peasant is not forced into debt to meet his daily needs.

There still remains a further opportunity for the usurer to get a grip. This arises when there is need to meet a large "extraordinary" expenditure which the peasant cannot afford to do even though he may have managed to more or less adjust his regular daily consumption with his income. To discuss this

<sup>4.</sup> R. Firth, Malay Fishermen, Their Peasant Economy, London, 1946.

point fully would take us far from the economic sphere, but there are two points of direct relevance. First, most of the villagers' land falls within Malay Reservations. This land may be owned only by Malays, but Malays, who are thus the only people to whom this land could be regarded as security, are forbidden by Islam to practise usury, and do not in fact do so. Secondly, the income from fruit, not being allocated to the purchase of daily consumption necessities, is available for the meeting of non-regular demands on income as well as for the formation of capital.

The position as regards investment in the villages I have been discussing is temporary. Over a few years most of the rubber was planted and then the total acreage more or less fixed by Government action. After this lump there was no further investment and next to no expenditure on maintenance against depreciation. Therefore most of the trees are of roughly the same age and the problem of their replacement will begin to achieve serious proportions in a few years if the village economy is to be kept stable. However, with the resistance of the peasants to the replanting policy of the Government, there is little being done towards that end at the present. It is this problem of stability, or of keeping the Malay way of life viable, rather than development, that is the most important policy problem at the moment. There do not seem to be any imminent development possibilities within the concept of "village economy" that I have been using, and in these circumstances "development" means the absorption of the Malay into the "modern" Malayan economy. In fact, of course, this means the absorption of the Malay into a field that is almost exclusively the province of the Chinese and the great sociological distance between the groups belies their close juxtaposition in the same small country. Further complications to this absoprtion arise from the character of the Malay, which does not seem to suit either the role of entrepreneur or worker in a modern business; from the education system which does not equip the village boy for work in a world where big business is usually done in English, Chinese, or in some Indian language; and finally from the fact that, although the Malay has a healthy attitude about the desirability of money, while it is possible to make ends meet in the kampong he is reluctant to leave.

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# RECEPTIVITY TO COMMUNIST FOMENTED AGITATION IN RURAL GUATEMALA<sup>1</sup>

Populations in which communist agitators have achieved success are seldom open to objective study by social scientists. The opportunity to study such a population presented itself in July and August of 1954 when the government of Jacobo Arbenz in Guatemala was overthrown in an anti-communist revolution led by Carlos Castillo Armas. The retirement of Arbenz, while anticipated by some, was so sudden and unpredicted by his own followers that many of them were "left holding the bag". Immediately upon the change in government, the revolutionary army, or Liberation Army as it called itself, arrested thousands of rural people who had actively supported the Arbenz government. This event provided a unique opportunity to study a rural population that had actively followed a movement with strong communist support. In order to do the study, the government made it possible to arrange interviews with a sample of the prisoner population. It would have been impossible to locate such a sample once the prisoners were released from the jails, so a study had to be made under those circumstances or not at all. The present article deals with some of the principal results of the study. While suffering from obvious technical difficulties, the limited quantitative data provided here may act as a suggestive leveler in popular thinking about communist appeal in rural areas. Our knowledge on this latter subject is overwhelmingly influenced by untested hypotheses and emotional biases.

#### Guatemalan Background

The Republic of Guatemala is a land of strong environmental and cultural contrasts. The entire northern third of the country, El Peten, is a broad limestone shelf, a geological continuation of the peninsula of Yucatan, and is extremely underpopulated. The major population of the country is to be found in the middle belt of highlands which runs from the Mexican border on the west into Honduras on the east. The entire western half of this highland region is predominantly an Indian area, occupied by numerous communities of descendants of the Highland Maya. Although in contact with the Ladino, or Spanish-American, population, many of the Indian communities are inhabited by Mayaspeaking peoples who are culturally very distinct from the Ladinos. The eastern half of the highland belt is occupied mainly by Ladinos, but there are a number of significantly large Indian enclaves. In recent years the population has been growing in two coastal regions of the country, the small Atlantic coast and the lower Motagua River valley, and the broad Pacific coast which stretches from Mexico to El Salvador. These two coastal regions were not attractive to the resident Indians during the colonial and early republican periods, and the Spaniards never occupied them heavily in terms of population. With the establishment

The basic data on which the present article is based will be found in a mimeographed report by the same writer, entitled "A Study of Receptivity to Communism in Rural Guatemala", Guatemala, 1954. Mr. and Mrs. Manning Nash ably assisted in the study itself.

of the banana industry late in the last century, and an expanding highland population which has forced emigration, these coastal regions have been filling up. The moving population has evidently included more Ladinos than Indians, but there have been a significant number of the latter as well. In general, among Indians it is the more acculturated individual who is able to make the permanent shift from the traditional, culturally insulated, Indian community, to the new environment of the coast.

Until 1945 Guatemala had been controlled by a series of dictatorships. more or less strict, but inevitably dependent upon a strong central authority. The population of the country was, and is, overwhelmingly resident in small agricultural communities and dispersed settlements. According to the 1950 census, only 22 out of the 315 municipal capitals had populations over 5,000. Of the population of seven years and older, 72,2% were illiterate. Through the many years of no participation in political affairs, this population, and probably many of the literate as well, were for practical purposes politically unsophisticated. In many towns, whether predominantly Indian or Ladino in population, there was a Ladino upper class which maintained local political control. Due to the increasing population and regional variations in land use patterns, certain regions manifested serious land shortages. These regions were found principally in those areas of intensive, technologically primitive, village agriculture. Regions devoted to the production of the country's main export, coffee, and to the plantation production of bananas, were almost entirely in large holdings and dependent upon both resident and seasonally migrant labor.

World War II brought to an end the long history of continual dictatorships. In 1944 the increasing age of Jorge Ubico, the incumbent dictator, together with an increased awakening of the literate population to the limitations of a dictatorial regime and the general revulsion of the western world to dictatorial regimes as such, brought about one of the very few really popular social revolutions in the history of the country. Ubico resigned, and Guatemalan exiles poured back into the country to participate in the establishment of a democratic regime. During the period which followed numerous social reforms were initiated, a new constitution introduced competitive elections for local and national political offices, and immediately following this, political parties sprang up like weeds. <sup>2</sup>

In the strong reaction to the ultraconservative regime of Ubico, the first president under the new constitution, Juan Jose Arevalo, encouraged not only the return of Guatemalan exiles, but also the immigration of anyone who wished to come and live in or help in the new development. During the six years of the Arevalo administration a number of young Guatemalans who had been bitten by the philosophical bug of communism became very active in politics and especially in the formation of labor unions, the initiation of mass organizations, and the development of ideologies for some of the political parties. The

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The present article cannot be a resume of the recent political history of Guatemala. Some systematic examinations are to be found in K. H. Silvert, A Study in Government: Guatemala, Middle American Research Institute Publication 21, New Orleans, 1954; and Richard N. Adams, compiler, Political Changes in Guatemalan Indian Communities: A Symposium, Middle American Research Records Publication (in press), New Orleans,

Guatemalan Communist Party had its formative years in this period, although it did not become an open political entity until 1951. 3

From the point of view of communist penetration, the problem presented by Guatemala was that of a politically unsophisticated population, illiterate, and therefore not easily accessible through standard propaganda means. The most effective way to gain control was to bring the government into line with communist thought rather than to fight it on those grounds. In the aura of political and social reforms of the post-1944 period, this was not as difficult as might have been anticipated. Since the government was sincerely trying to introduce legislation to provide social justice and democratic methods, it was not hard to subvert some of these efforts towards communistic ends. Certain aims of the government and the communists were parallel: (1) each wished to break up large land holdings; (2) each wished to make the rural, largely illiterate, population composed of laborers and small-scale agriculturalists into an effective but controlled political force. Towards these ends the government under Arevalo set up a labor code and labor courts, the judges of which were often instructed to decide cases in favor of labor and against the employer.

Under Jacobo Arbenz, who succeeded Arevalo in 1951, an agrarian reform law and a law of forced rental were passed. These laws had a tremendous effect on the countryside. The labor code combined with the establishment of labor unions on the farms to give labor agitators an open field. Unions began defying land owners and farm administrators, and in many cases resorted to force and open physical threat to achieve their ends. The administration of the agrarian reform was established under the aegis of communist deputies in congress through the formation of numerous agrarian committees. By law the majority of the members of each of these committees had to be composed of persons who were in favor of the government and the reform law. The law prohibited recourse to the courts for appeal; the person of the president was the final authority. The law of forced rentals provided for those regions in which land holdings were so small that they were not affected by the agrarian reform. It established the right of a renter to pay no more than five per cent of the value of the crop in rent for a piece of land, and the right to force the rental of lands not under cultivation.

The implementation of these three pieces of legislation, the labor code, the agrarian reform, and the law of forced rentals, brought a certain amount of government and communist control over a significantly large portion of the rural population. However, there were still many people who were not affected by any of these efforts, and during Arevalo's time an organization was set up to bring under control the rural people who were not labor union members, who were not in need of land under the agrarian reform, and who did not necessarily have to rent land. Persons in these categories were not excluded, but they were not the principal goal. This organization was the National Confederation of Countrymen of Guatemala, commonly known as the Union Campesina. In addition to this organization, of course, the pro-government political parties were increasingly active in the rural areas and small towns since they depended

<sup>3.</sup> This aspect of the recent history has been treated in a number of both popular and semi-popular works, but probably the best account to date is that issued by the United States Department of State, under the title of, "The Guatemalan Communist Party, a Basic Document", rev., May 1954, mimeographed.

upon the countrymen, both Indian and Ladino, for a large block of their votes.

The government began to subject the rural dweller to various forms of organization, agitation, and propaganda with the general goal of forging him into a pro-government political force. For the communists, of course, this meant a pro-communist force, and by 1952 open communist agitation in the rural areas was daily news in the papers. During the five or six year period before the fall of the Arbenz government in 1954, the work of the communist and pro-government agitators increased constantly and there was, as might be expected, a differential reaction within the countryman population to these efforts. However, as propaganda became increasingly strong, it became more and more difficult to know how the rural population was in fact reacting to the agitation and propaganda. Any activities which the government considered to be reactionary were obscured by loud propaganda and in some cases by punitive action.

The fact that no one, to my knowledge, made any special attempt during this period to discover the extent to which the rural population had been affected by the radical propaganda and agitation of these months makes any study of the subject somewhat difficult. At the time, however, it was evident that there was a more positive reaction in certain zones than in others. The two major regions in which a consistently high degree of receptivity was reported were the central south coast and the Caribbean coast region, specifically the banana plantation areas. However, the receptivity on the south coast, from newspaper reports, was especially notable. In this region Carlos Manuel Pellecer was the most publicized agitator of the General Confederation of Workers (CGTG), the communist infiltrated general labor union. Pellecer's work in the central south coast was so successful that he moved further west. Evidently he did not find the same receptivity on the southwest coast, however, because no such results were reported from there.

In reviewing the results of another study carried on during this period, <sup>4</sup> I was impressed that the population of the central south coast manifested a sociological characteristic which was not so common of either the east or west, nor, indeed, of most of the country except the Izabal or Caribbean coast region. This characteristic was a high degree of horizontal mobility. It was on the basis of this impression that I suggested the study which is reported on the following pages.

#### Methods and Definitions

It is particularly important in the case of the present study to define clearly the general concepts used because the subject falls easy prey to emotional and political biases. While it is often a practice to skip over methodological sections, the reader is cautioned to familiarize himself with the present section before going on to the description of the results of the study.

The entire study, from start to delivery of final report, occupied consecutive six weeks of July and August, 1954. The actual interviewing took most of

Richard N. Adams, Encuesta sobre la cultura de los ladinos en Guatemala (Seminario de Integración Social, Publicación Número 2), Guatemala, 1956.

the first week. While interviewing jailed persons immediately after a highly emotional revolution is obviously a most unsatisfactory method of obtaining data, it was considered more realistic to attempt the study in this way than after the jailed population had been released and dispersed once more through the countryside.

When the study was planned there were between 1,500 and 2,000 people in the city jails of Guatemala City. Theoretically it would have been desirable to select a sample representative of the receptive population of the country. This was theoretically and practically impossible. Theoretically we had no idea of either the size or dispersion of the receptive population; our universe was unknown. Practically, the data on which to base the selection of the sample was a list of names together with the place of residence. If the person involved had held some particular position, this was sometimes included. But it was not possible even to be sure in every case that the persons selected would be countrymen, the principal subject of interest in the study. Since we wanted some geographical spread in the sample, the jail population itself could not serve as the universe. Had a random sample been taken from the jail population, over half the interviewees would have come from the Department of Guatemala. Therefore, it was decided to use a selected sample in terms of certain geographical regions and wherever possible, to select the persons from these regions on a random basis. The lack of any definable universe outside of the entire population of the country and that of the sample itself meant that most of our analysis would have to be framed in terms of internal comparisons within the sample universe.

Although geographical dispersion was an important criterion in the selection of the sample, the principal point involved was that the interviewees should be countrymen. In this sense, the term countrymen is a direct translation of the Spanish word campesino, a person who works in the fields. The nearest common English sociological usage is "rural", but the countryman may live in a town. To avoid non-countrymen, the only caution we could show in our sample selection was not to choose persons who were resident in a provincial capital. As will be seen, 250 of the 267 persons in the sample were agriculturalists, so our principal criterion was observed.

The population to be interviewed was housed in the two main city jails, the penitentiary, and in the police school which had temporarily been converted into an auxiliary jail. For convenience's sake, it was decided to work only with inmates of the two jails and the school. There were 1,600 men in these three places. The distribution by department of this population as compared with total population of the country and the sample population was as follows:

Table 1.

	1950 Total	1950 Total Pop.		Jail Population		Sample Pop.	
Department	Number	%	Number	%	Number	%	
Guatemala	441,085	16	904	57	58	22	
Santa Rosa	109,812	4	235	15	54	20	
Jutiapa	138,768	5	186	12	43	16	
Jalapa	75,091	3	83	5	29	11	
Escuintla	123,809	4	72	4	36	14	
Chimaltenango	122, 310	4	66	4	17	6	
San Marcos	230,039	8	34	2	30	11	
Alta Verapaz	188,758	7	16	1	-		
El Progreso	47,678	2	2	-	-	-	
Quezaltenango	183, 588	7	2	-	-	-	
Total			1,600	100%	264	100%	

Originally it was planned to take men from the Departments of San Marcos, Juliapa, Escuintla, Santa Rosa, Jalapa, Zacapa, and Baja Verapaz, since altogether these provided a spread across the country. Since neither Zacapa nor Baja Verapaz sent prisoners to the city jails, it was decided to take people from the Departments of Guatemala (outside the capital city) and Chimaltenango instead. It was possible to select a random sample from Escuintla, Santa Rosa, Juliapa, and Jalapa. All persons available (four were sick) were taken from San Marcos. In Guatemala and Chimaltenango it was decided to select three towns which would provide specifically two types of population which may have been absent from the samples selected from the other departments. These were Indian language speaking Indians from the towns of San Martin Jilotepeque and San Pedro Ayampuc, and a Ladino population of high residential continuity from the town of Palencia.

The study plan involved the preparation of a questionnaire which was to be filled in in the course of an interview by the interviewer. Each interview was to last slightly under an hour. The interviews were designed to obtain data on the following subjects: personal data (age, residential geneology, residences. literacy, education, languages, religion, religious participation, data concerning parents); economic situation (occupation, type of land usufruct, amount of money earned, length of time in employment, form of acquisition or rental of lands, implements of cultivation, use of employees, domestic animals, certain items for non-agriculturalists, economic data on parents, house type and form of usufruct); political activities (membership and posts held in labor unions, Union Campesina, agrarian committees, political parties, jobs in the government; participation in strikes, celebrations of May 1st or October 20th, voting); political knowledge and attitudes (requiring identification of names of political personages, organizations, and certain communistic ideological phrases; opinions on laws under Ubico, Arevalo, and Arbenz, about the nature of democracy, etc.). In addition, notes were made by the interviewer as to whether the interviewee had any articles of Indian clothing, whether he wore shoes, sandals, or was barefoot, and what his general attitude towards the interviewing was.

Although the interviews were pretested on five individuals in the jail, the final questionnaire still showed numerous marks of hurried construction. The necessity of completing the interviews quickly (since they were beginning to release people from the jails) made training of our five interviewers (college students) difficult. Deficiencies in the interviewing and in the filling of the questionnaires left certain questions inadequately answered. The interviewing was done in rooms provided for the purpose in each of the jails and the school building. Approximately one third of the total group of interviewees was taken from each place (84, 86, 97); the system of interviewing involved between five and seven interviews being carried on in the room at a single time, a situation which did not lead to as much confusion as was anticipated. It was ascertained in the first jail, however, that the prisoners who returned to the general room after the interview discussed certain of the questions with others, and by the time the final individuals were coming in, some had evidently been briefed. So far as we could tell, this effected only certain of the political attitude and opinion questions, item's which were not being answered with any particular enthusiasm anyway.

Aside from the obvious problems involved in interviewing a population in jail, and more particularly a population which is unsure of its future, the interviewing went very smoothly. The persons in charge of the jail provided every aid to the work and permitted the interviewing to be finished in two-thirds the anticipated time. The interviewers reported 47% of the interviewees to be cooperative or very cooperative, 36% as neutral, and only 17% were reported

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as uncooperative or hostile. These judgments were based on the opinions of the individual interviewers, of course, but indicate that in general the interviews were carried on with little overt hostility from the prisoners. A factor which may have tended to produce this apparent atmosphere of good cooperation was that at first some of the prisoners evidently thought the interviewers were members of a judgment board set up to decide on their cases. When this became known to the study team, efforts were made to make it clear that our questions had nothing to do with their future either in or out of prison; it is doubtful, however, that our claims were always believed. There was no reported difference in cooperativeness as between Indians and Ladinos nor between persons of different regions.

In the analysis of the data it was decided to concentrate on the internal comparison of certain factors within the sample universe. Making these comparisons occupied most of the time devoted to analysis. Chi square tests were run off on all comparisons to test for significance of the differences encountered between the number observed and the number expected on the basis of random distribution. Most conclusions were based on the significance or lack of significance of these comparisons. The probabilities of obtaining differences of the magnitude observed and smaller by chance are indicated in the upper left hand corner of each set of comparisons. None indicates that the distribution in the table is not significantly different from a random distribution, using the 95% level for significance; 95% indicates that there are only five chances out of 100 of observing such a difference between the distribution in the table and a random distribution; 99% indicates that there is only one chance out of 100 of observing such a difference between the distribution in the table and a random distribution.

In the original mimeographed report (referred to in footnote 1) all tables were included, whether the comparisons were significant or not. Here most tables showing no significance at the 95% level have been excluded.

A few further notes of caution should be mentioned concerning the sample universe. There was no reason to think that the entire population of the jail exactly represented the rural population we wished to interview. Among those jailed were doubtless some who were denounced by personal enemies and who had very possibly not been active in either political or agrarian matters. It was not possible, of course, to identify such individuals and to exclude them from the sample. Of the 267 people interviewed, however, 200 or 75% admitted to being members of political parties, labor unions, the Union Campesina, or agrarian committees. Of the 67 who said they belonged to none of these, there may well have been some who lied. Also, of the 67, 31 or 46%, did vote in the last municipal election. None of this means that the persons involved were receptive to communism, but it does indicate that the great majority of those interviewed did participate to some degree in political and semi-political activity.

There was no indication that anyone in the sample was a member of the Communist Party. It would have been interesting to have had such persons, but it is significant that none appeared. Since we were concerned specifically with a countryman population, it probably is suggestive of the extent to which the party, as a formal organization, had entered this sphere. At the time of the study the region in which the greatest inroads had been made by the communists was the Department of Escuintla. While the analysis of the study was underway, 700 prisoners from Escuintla were being transferred from the provincial penitentiary to the national capital. It seems likely that were there party members in the countrymas population, they would have been in this group. In any case, this in no way disfigures our general sample, since our

concern is with the population receptive to agitation and not necessarily with party members. The latter were, in Guatemala, mainly leaders and agitators.

# Selected Characteristics of the Sample Population<sup>5</sup>

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Although the sample population may not be considered to be representative of either the rural population nor the receptive rural population of the entire

In the analyses to follow certain terms are used with specific meanings.
 For the reader's convenience some of these are set forth here.

Regional divisions. the population was divided according to their place of origin: coast refers to the Pacific coastal region, specifically the southern half of the Departments of Jutiapa and Santa Rosa, and the coastal sections of Escuintla and San Marcos; east refers to the eastern highland region, specifically the northern halves of Santa Rosa and Jutiapa, and the southeastern part of the Department of Guatemala and the Department of Jalapa; center refers to the central highland region, specifically the Department of Chimaltenango and the northern portion of Guatemala Department.

Mobility or residential continuity. The concept of mobility has been operationalized in terms of what we call residential continuity. An individual's residential continuity is judged on the basis of three facts: (1) whether his birthplace is the same as his present residence; (2) whether his birthplace is the same as that of his father; and (3) whether his birthplace is the same as that of his mother. A person was said to have very high residential continuity if all three of these were answered in the affirmative; he had very low residential continuity if all three were answered in the negative. For the purposes of comparison, if two or three were answered in the affirmative, then the person was said to have high residential continuity; if two or three were answered in the negative, then he was said to have low residential continuity. Low residential continuity, then, indicates that a person was mobile.

Religious participation. Religious participation has been measured in two ways. The most important is the degree to which a person attended Mass. This was categorized into three classes: often, which means that the individual said he attended Mass daily or weekly; sometimes, which means that he said he attended during fiestas or perhaps as often as once a month; and seldom, which means that he went only once a year or not at all. A second measure was membership in religious societies. Membership in such a brotherhood or association is assumed to indicate interest in religious affairs. Both these measures apply only to Catholics. The Protestant portion of the sample was omitted from comparisons in religious participation.

Economic status. Two estimates of economic status were made. One was a categorization in terms of whether an individual produced enough to live on and with which to support a family. Considering variations in prices and products from region to region, it was not possible to arrive at any scale which would everywhere be meaningful and representative, and would also be in sufficient detail to provide a fine classification. All interviewees were classified on the following criteria: a person was regarded as being economically adequate if he had the usufruct of five manzanas (approximately 9 acres) of agricultural land or more, or if he earned \$1 a day (or \$30 a month) or more. If he did not meet either of these criteria, he would still be considered to be adequate if the combined fractions of his land holdings and earnings were equivalent to adequacy; for example, if he earned 40¢ a day and had usufruct of three manzanas of land. Individuals who did not meet these criteria were considered to be economically inadequate. The other measure of economic status was land owning. Everyone was classified on the basis of whether they were landholders or landless.

country, it can be assumed to have some specifically ethnic and regional significance for the regions from which it was drawn. Also, there are some features which may be considered to have been fairly random in selection, such as age, which may be suggestive concerning the population as a whole.

The entire sample population was male. While there were women jailed as being agitators, the general rural feminine population did not participate actively in political affairs. The age breakdown of the sample was as follows:

Table 2. Age Distribution of Sample

	Individuals	in Sample
Age	Number	Percent
16 to 20	8	3.0
21 to 25	26	9.7
26 to 30	41	15.4
31 to 35	40	15.0
36 to 40	38	14.2
41 to 45	33	12.4
46 to 50	31	11.6
51 to 55	19	7.1
56 to 60	16	6.0
61 to 65	6	2.2
66 to 70	4	1.5
71 and over	3	1.1
Don't know	2	. 8
Total	267	100.0

There was no significant difference in the distribution of the Indians and the Ladinos in this age breakdown. The heaviest block fell in the 26 to 50 year old age groups. Nevertheless, it is probably significant that almost 42% of the group was over 40 years old; in view of the early mortality in the rural population and the assumed attraction of communist line propaganda for younger people, it is of note that there is such a high percentage of people in the upper age groups.

Over half the sample (52%) were residents of municipal capitals. This is significantly different from the general population of the country (at the 99% level of probability) in which 31% live in municipal capitals. It is to be expected that there would be more politically active people in the towns since it was there that agitators and local committees were centered, and it was there that local political decisions were made.

The sample showed a slight (significant at the 95% level of probability) variation from the national literacy rate. In the country as a whole (1950 census) 72.2% of the population was illiterate while 66% of the sample was illiterate. While there is no data available to support the idea, it seems likely that greater literacy is to be found in the urban than the rural population; if so, then this sample, drawn almost entirely from rural peoples, should show a relatively higher illiteracy rate than the figure for the country as a whole. The slight difference in literacy is probably more significant than the figures indicate.

The sample was overwhelmingly Catholic. Only seven, less than 3% of the entire sample, were Protestants. It seems very likely that had there been any correlation between Protestantism and communism, as has been claimed in some circles, it would have shown up more distinctly in the sample. As it stands, we must assume that Catholics and Protestants were equally receptive to the Arbenz policies.

With respect to activity in political and other affairs sponsored by the Arbenz regime, the sample group was very active. Two hundred, or 75%, were members of political parties, labor unions, the Union Campesina, or agrarian committees. Of this 200, 25% held posts in one or more of their respective organizations. In terms of specific memberships, 33% were political party members, 36% were members of the Union Campesina, 30% were members of agrarian committees, and 9% were members of labor unions.

There was no significant difference between the ethnic groups or regions with respect to residence in or outside of municipal capitals. In literacy, however, the Ladinos had a higher percentage of literates than did the Indians. Less than 25% of the Indians were able to read and write, while about 39% of the Ladinos had these abilities. There was no statistically significant difference in literacy between the groups from the various regions.

In view of the observations which stimulated the study, there is a regional characteristic which proves to be of some significance. It was originally thought that low residential continuity would be highly characteristic of the population under study. It develops, however, that this was not necessarily true of the entire sample population, but was specifically typical of Ladinos from the coast. As was observed earlier, it was not possible to choose a sample of either the entire rural population nor the entire Guatemalan population, but this characteristic of coastal Ladinos does support the original observation made on the basis of the earlier survey (see footnote 4).

Table 3.

	High Residential	Low Residential	Total		
99%	Continuity	Continuity	Number	%	
All Indians	79.4%	20.6%	97	100	
All Ladinos	58.2%	41.8%	170	100	
99%					
Coast Ladinos	40.0%	60.0%	65	100	
East Ladinos	62.8%	37.7%	70	100	
Central Ladinos	82.9%	17.1%	35	100	

#### Characteristics of Post-Holders

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Although the study was so designed and the sample generally selected so as to exclude professional agitators, it was expected that local political leaders would be included. Arbitrarily, a local leader has been defined as one who held some post in one or more of the organizations which were politically oriented. There is no reason to think that all these persons were leaders in the psychological or sociological sense; they can be considered as persons who were in the forefront of activity within their respective institutions, however, and as such to have manifested some differences from their fellows.

It was generally hypothesized that leaders should be somewhat more sophisticated than the followers. As a result, it was anticipated that leaders in general should more commonly come from the municipal capitals. In fact, there was a slight, but not statistically significant, tendency for the reverse. Similarly, it was felt that post-holders should in general have a higher degree of literacy than non-post-holders. This was supported strongly by the data: 70% of the post-holders were literate while only 25% of the non-post-holders could read and write. In view of the short period during which these organizations had existed, it is clear that there had been selection on the local level which placed literate persons in official positions.

There was no hypothesis concerning the relative residential continuity of leaders and followers, and there was no statistically significant difference in the sample. However, the tendency was for leaders to have slightly lower continuity than followers.

No hypothesis was made with respect to the leaders as opposed to followers and no significant differences appeared in comparing land holding and economic adequacy.

It is usually assumed that political leaders of communist-line organizations participate less in religious affairs than does the normal population. The results of the study confirm this in part, but the confirmation is not very strong. With respect to attendance at church there was a significant correlation between followers and high attendance at church. Fifty-six percent of the non-post-holders reported themselves attending Mass daily or weekly, while only 33% of the post-holders reported such frequent attendance. There was no significant difference in the matter of membership in religious brotherhoods; approximately one-third of both leaders and followers were members of such societies.

It was assumed that the local leaders would show a greater knowledge of political matters than would the followers. The data strongly supports this assumption. While almost 58% of the non-post-holders manifested no knowledge whatsoever, only 26% of the post-holders claimed to know nothing. Similarly, while 10% of the non-post-holders were informed, 28% of the post-holders were so classified.

## Characteristics of Active Participants

While the comparison of the activities of post-holders as opposed to non-post-holders in the preceding section tells us something of the nature of the population which participated in the activities sponsored by the Arbenz regime, it is of value to explore this participation further. In this section we will compare the characteristics of members of political parties, labor unions, the Union Campesina, and agrarian committees with those people who were not members of each of these organizations or organization types.

It was felt that the members of the various groups sponsored by the Arbenz regime would have had somewhat more contact with outsiders, and would as a result tend to be more literate than non-members. Furthermore, it was thought that, with the exception of labor union members who were usually resident on farms, members would have been more likely to have come from municipal capitals.

The data only partially sustained these suppositions. Of the four types of organizations, the members of only two showed a significantly higher literacy rate than non-members; these were political party and labor union members.

Table 4. Data on Post-Holders

None	Post-Holders	Non-Post-Holders
Proportion dwelling in municipal capital	40.0%	54.8%
100%	(50)	(217)
99%		
Proportion literate	70.0%	25.3%
100%	(50)	(217)
340		
None Proportion with high residential continuity	54.0%	68,6%
100%	(50)	(217)
95%		
Proportion attending Mass often	32.7%	55.9%
Proportion attending Mass sometimes	59.2%	37.9%
Proportion attending Mass seldom	8.1%	6.2%
100%	(49)	(211)
99%		
Proportion informed	28.0%	9.7%
Proportion poorly informed	46.0%	32.7%
Proportion knowing nothing	26.0%	57.6%
100%	(50)	(217)

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However, in comparing the literacy of members of each of the types of organizations with the national literacy percentage of 27.8%, the members of political parties and of labor unions were both significantly higher than the national average at the 99% level, while agrarian committee members were significantly higher at the 95% level. The Union Campesina members were much the same as the general population. From these data it is evident that the hypothesis is supported fairly in the case of the political parties, labor unions, and agrarian committees, but not in the case of the Union Campesina.

The data on residence of members in municipal capitals does not support the hypothesis. In none of the four types of organizations did members come more frequently from municipal capitals than from surrounding regions to a degree which was statistically significant. It should be remembered, however, that the entire sample population tended more to come from capitals than from the surrounding areas.

It was thought that the more active individuals should in general have a lower residential continuity than the non-members. This supposition was strongly supported in the cases of the labor unions and agrarian committees but not in the political parties and Union Campesina. This suggests that active membership in itself does not necessarily stem from low residential continuity, but that there is probably some relation between the latter condition and activity in the agrarian committees. In view of the relatively few labor union members in the sample, 25, we can hardly assume that the figures for labor unions are necessarily representative of labor unions in general.

It is a popular theory that poverty finds communism and similar radical doctrines attractive; if this is so, poverty should mark the membership of the various organizations. Such does not seem to be the case on the basis of the

present data. There is no statistically significant correlation between economic inadequacy and membership in labor unions, the Union Campesina, or agrarian committees. Furthermore, there is a correlation between adequacy and membership in political parties. In land holding almost the same results hold with the exception that there is a correlation at the 95% level of probability between landlessness and membership in agrarian committees. Since these committees are specifically concerned with getting land, such a correlation is to be expected. But for labor unions and the Union Campesina there is no correlation between lack of land and membership and, again, for political party membership there is a correlation with land holding. It must be remembered that these comparisons are using the sample as the universe, and are not comparing the sample with the total population of the country. In the political parties, 58% of the members are economically adequate and 39.5% are land holders; these percentages are significantly high in comparison with the persons in the sample who were not political party members.

It is a general hypothesis that people who are active in communist line activities are not likely to be active in religious activities. The data from the study provides some confirmation of this. There was no correlation between attendance at Mass and membership in political parties or the Union Campesina. There was a significant correlation between labor union and agrarian committee membership and low Mass attendance. Also, among political party members. there was a higher percentage of religious society non-members, than was the case among political party non-members. This too, however, was significant only at the 95% level of probability. There was no significant correlation between labor union and agrarian committee membership and religious society membership. The Union Campesina, however, sharply reverses the general support given the hypothesis by the other data. There was a strong correlation between membership in the Union Campesina and membership in religious societies. In general, there are a number of cases of mild correlations which support the hypothesis, and one strong correlation which reverses it. This last will be discussed in more detail later.

I had no hypothesis concerning the possible predominance of one ethnic group over another in the population of members, and the data provides no evidence that there is any. There is no significant difference between the number of Indians and Ladinos in any of the organizations.

It was anticipated that the politically active would show a significantly greater amount of political knowledge than those who were not members of organizations. The data, however, supports this only with respect to membership in political parties. Statistically there is no significant correlation between superior knowledge and membership in any of the other organizations. Among party members there was a relatively higher percentage of those who were informed (23% as compared with 8% among non-members), but there was not such a noticeable difference in the relative number of know-nothings.

# Table 5. Data on Union Campesina Members

	Members	Non-Members
99% Proportion belonging to Religious societies	42.7%	26.2% (164)

Table 6. Data on Political Party Members

99%	Members	Non-Members
Proportion literate	46.6%	27.4%
100%	(88)	(179)
99%		
roportion economically adequate	58.0%	35.8%
100%	(88)	(179)
99% Proportion owning land	39.5%	17.5%
100%	(76)	(174)
95%		
Proportion belonging to religious societies	22.7%	37.2%
100%	(88)	(172)
99%		
Proportion informed	22.7%	8.4%
Proportion poorly informed	33.0%	36.3%
Proportion know nothing	44.3%	55.3%
100%	(88)	(179)
Table 7. Data on Labor Uni	on Members	
95%		
Proportion literate	52.0%	31.8%
100%	(25)	(242)
99%		
Proportion with high residential continuity	28.0%	69.9%
100%	(25)	(242)
95%		
Proportion attending Mass often	28.0%	53.6%
Proportion attending Mass sometimes	56.0%	40.4%
Proportion attending Mass seldom	16.0%	6.0%
100%	(25)	(235)
Table 8. Data on Agrarian Co	mmittee Member	rs
99%		
Proportion with high residential continuity	48.7%	73.3%
100%	(80)	(187)
95%		
Proportion owning land	16.2%	27.7%
100%	(80)	(170)
95%		
Proportion attending Mass often	42.7%	54.5%
Proportion attending Mass sometimes	54.6%	36.8%
Proportion attending Mass seldom	2.7%	8.7%
100%	(75)	(185)

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## Political Indoctrination and Knowledge

It is not to be expected that a great deal may be learned concerning the degree of political indoctrination from a short interview under jail conditions. Nevertheless, in the hope that some index or idea might be had of the amount and kind of political indoctrination which the interviewees had received, a number of questions were asked concerning the identification of people, organizations, and ideas, and concerning opinions on political matters. In the majority of the interviews the interviewees expressed almost complete ignorance concerning the matters mentioned. At first, in the course of the interviews, we felt that the "no se" response which kept overwhelming us was principally a matter of defense on the part of the individuals. In order to check this to some degree, I varied my questions, approaching the issue from different angles with some of the interviewees. However, I gradually started to believe that many, if not all, the persons who claimed ignorance of the issues actually knew little or nothing about them. Support for this is to be found in the fact that a person who claimed not to recognize the name of the communist labor leader, Gutierrez, would also not recognize Mariano Rossell, the Archbishop of Guatemala. By the way in which some of the guestions were answered, it was guite apparent that most of the interviewees had actually not heard of the "struggle between the classes", the "dictatorship of the proletariat", the "Communist Manifesto", and various other ideas and organizations mentioned. Also, in the question which required that the interviewee classify certain organizations and groups as being "imperialist", "progressive", "reactionary", or "communist", there is little doubt that most of the interviewees did not know what "imperialist" and "reactionary" meant; the term "progressive", it developed, meant something good to many, so if they wished to indicate that they felt a particular institution or group to be good, they would usually say that it was "progressive".

It was not possible, then, to analyze the results of the answers to these questions in the manner originally planned. Instead, we could only take the answers as being suggestive and in no way definitive concerning either the sample population or the entire population which concerns us.

All interviewers agreed that voluntary responses on the part of the interviewees consisted principally in comments to the effect that (1) they knew nothing; (2) they were poor, illiterate people, (3) they were in favor of the government in power, (4) they wanted only to return to their families, and work, and (5) they were Catholics. The "know nothingness" was apparent throughout the interviews. In response to a question as to whether they thought (an opinion, not a statement of fact) the new government would continue with the agrarian reform, the labor code, and the labor unions, 67%, 66%, and 84% of the persons said they did not know; when pressed, most said they would not presume to say what the government would do.

The theme of poverty was also recurring. In a question which asked them to designate which of a group of possibilities best expressed the nature of a democratic country, "protection of the poor" brought the highest number of responses (80). "Work" was perhaps the most common word to come voluntarily from the interviewees; almost all said they wanted only to return home and work following their release from prison. "Agrarian reform" was the third highest on the list of things that characterize a democratic country (40 mentioned it); the agrarian reform (29) and the labor code (20) were the things mentioned as being the best work of the Arevalo-Arbenz administrations, while

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work on the roads (25) and the work control books (11) were the things most disliked about the Ubico regime.

"Lo que el gobierno disponga" ("That which the government commands") was a phrase heard frequently in the course of the interviews. There is little doubt that some of those interviewed were not so concerned by the change in government as they were that they had landed in jail as a result. On the other hand, there were also 70 (and there may well have been more who felt it might not be politic to give such an answer) who said that a "government selected by the people" was an important part of a democratic country. This was the second most popular response to the question concerning the characteristics of such a country; "protection of the poor" was the first. In view of the common idea that illiterate people are apolitical, it is of interest to note that 61% of those who chose "government selected by the people" as a characteristic of a democracy, were illiterate. It would appear that the efforts of the post-1944 governments did have some effect in putting this idea into circulation.

With respect to the characteristics most disliked in the past regimes, three very specific items of the Ubico administration were mentioned; forced road labor, work control books, and the boleto de ornato which, if not purchased, resulted in road work. For the Arevalo and Arbenz regimes there was little specific which was mentioned as being bad. Thirteen mentioned "communism" as being undesirable, 10 mentioned "disorder" and 7 mentioned "lack of respect". It was evident from these responses that there was more remembered discontent with the Ubico regime than with the more recent regimes. The concepts of "disorder" and "lack of respect" do reflect two characteristics of patterned relationships which were disappearing during the Arevalo-Arbenz administrations. In view of the fact that communism was the major issue of the revolution which put these people in jail, the sparse mention of communism as an evil indicates that it did not have a bad name among the members of the sample.

With respect to the new government, most interviewees expressed themselves in favor of it; they were, they said, in favor of any government that happened to come along. In response to the specific questions as to whether they thought the new government would continue with the agrarian reform, 63 said they thought it would and 23 thought it would not; with respect to the labor code, 77 thought it would continue, while 14 thought it would not; 23 felt the labor unions would be allowed to continue, while 20 thought they would not. It would seem that the persons who felt that both the agrarian reform and the labor code would continue did not associate the revolution with these acts; whether they saw it as specifically a revolution against communism or not was not clear.

In the matter of indoctrination of ideas stemming from the communist propaganda, we have already mentioned the rather low degree of comprehension of the terms "reactionary" and "imperialist". Of the various groups and organizations mentioned, large land holders, priests, and rich people were called reactionary by 15, 13, and 12 interviewees respectively; however, 11 called the "members of the working class" reactionary, and 10 referred to the "poor" by that term! There was only one case in which the term "imperialist" was used as much as five times, and this was with respect to the large farm owners. The organizations which were said to be communist were the PGT (the Guatemalan Communist Party) by 16 people, the CGTG by 9 people, the Agrarian Department by 6, and the Feminine Alliance by 4.

As was mentioned, the term "progressive" seemed to be more suggestive to the interviewees than any of the other three alternatives, and it was used

almost indiscriminately. For all the organizations and groups mentioned, only the PGT, the Feminine Alliance, and the Anti-communist political party of the west were said to be progressive by fewer than 13 interviewees. The term was applied to "countrymen" 39 times, "the poor" 32 times, "priests" 32 times, "military men" 27, "members of the working class" 25, "large farm owners" 23, "rich men" 21, the United Fruit Company 19, the PUA 19, the Agrarian Department 18, the United Nations 13, and the CGTG 13. It must be kept in mind, however, that 117 people gave no response whatsoever to this question.

It cannot be concluded from the answers discussed above that the population of the sample had been heavily politically indoctrinated with communist line ideas. There is evidence, however, that certain ideas which were sponsored by the post-Ubico regimes did receive considerable acceptance. Specifically, these were the ideas that a democratic government is selected by the people, that there should be a distribution of land among those who do not have it, and that there should be laws controlling working conditions. Of these, none can be said to be peculiar to communism, but all have been used by propagandists of the Communist Party. Of greater importance, however, is that all three were actively placed in effect by either the Arevalo or the Arbenz adminstrations. The franchise and the labor code were initiated in the former, and the agrarian reform in the latter. There is little evidence from the study that communist propaganda vocabulary (such as "réactionary", "imperialist", "germ warfare", "the struggle between the classes", the "dictatorship of the proletariat", the "World Peace Congress") and the accompanying concepts have entered very strongly into the countryman's way of thinking. On the other hand, there was little evidence that the term "communism" itself carried bad connotation. The persons in the sample were generally more concerned with the immediate problems of subsistence and staying out of jail so that they could work.

Further evidence on the effectiveness of the propaganda may be seen by looking at the relative number of interviews in which the names of various political figures were recognized.

Table 9.	Number of People who
Name	recognized the name
Ydigoras Fuentes	99
Francisco Arana	94
Castillo Flores	52
Victor Manuel Gutierrez	33
Carlos Enrique Diaz	28
Mariano Rossell	24
Winston Churchill	15
Foster Dulles	14
José Stalin	10
V. Lombardo Toledano	8
Karl Marx	2
Ho Chi Min	0

If propaganda had been strong, we would expect the names of Karl Marx and Stalin to stand relatively high on the list. In considering the implications of this list, it should be remembered that the number given after each name is of nly

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the people who recognized the name; many of these were not entirely sure who some of these people were, but they claimed they had heard the names. The most obvious factor which governed the recognition of the names was whether the person in question was Guatemalan or not. All Guatemalans stand higher on the list than do any foreigners. The two best known were Ydigoras Fuentes and Arana, two conservative to moderate political figures of importance. Then followed three communistic figures, Castillo Flores, head of the Union Campesina, Gutierrez, head of the CGTG, and Carlos Enrique Diaz, chief of the armed forces under Arbenz. It is not surprising that Castillo Flores was high on the list, and the name of Gutierrez was much used during the past regime. It does come as something of a surprise that so many recognized the name of Diaz. He was little known outside of political and military circles prior to the revolution, and his government lasted only a matter of hours. Yet, according to this list, his name was as well known, and perhaps a little better, than was that of the archbishop, a man who had been in the public eye for many years.

For practical purposes we may stop discussing the list at this point because the recognition of the remaining names was almost entirely by non-countrymen. In view of this, however, it is interesting that even very few of this group admitted having heard of Marx. In general, these data further suggest that propaganda about specifically communist ideas, organizations, and persons, was not overwhelmingly effective.

Before leaving the subject of political indoctrination it will be well to review the data which may help characterize that portion of the sample which was informed as opposed to that which expressed ignorance. Those with political knowledge were more literate than those without, and in general it was the Ladinos who were better informed of the two ethnic groups. The better informed also had a distinctly higher residential continuity than did the uninformed. No agricultural occupation group manifested significantly higher political knowledge than any other, nor were the land holders or land renters significantly different from those who were landless or did not rent land. Within the whole sample, there was a tendency, but not statistically significant at the 95% level of probability, for the economically adequate to be better informed than the inadequate.

The few non-agriculturalists, as might be expected, manifested a much higher degree of knowledge than did the agricultural group; the difference is so great that it points up the vast lack of political knowledge of the latter group. Nine percent of the agriculturalists were informed; 71% of the non-agriculturalists were in this category. <sup>6</sup>

<sup>6.</sup> Political knowledge. Originally it was hoped to discern the trend of political knowledge manifested by the sample population, to see whether their opinions and attitudes indicated indoctrination with the communist line or not. In the analysis it developed that we had to be satisfied with judging simply whether a person manifested any knowledge at all. The specific questions on which the categorization of political knowledge was made consisted of a list of names of people and organizations. The persons in the sample were grouped into one of three categories in accordance with the number of these names they recognized. A know nothing was a person who failed to identify any of the names; a poorly informed was a person who recognized between one and five of the names; and an informed was one who had heard of six or more names.

Table 10.

		Poorly	Know	Total		
99%	Informed	Informed	Nothing	Number	%	
Agricultural Workers	9.2%	36.4%	54.5%	250	100	,
Others	70.6%	17.6%	11.1%	17	100	

Knowledge had its correlate in gains. Of the 23 informed agriculturalists, 15 received land under the agrarian reform.

Of the politically oriented organizations only political party members manifested a better level of political knowledge than non-members. There was no significant difference in the other organizations. This suggests one or both of the following possibilities: the political parties tended to draw indoctrinated people more strongly than did the other organizations (which would be reasonable, since the others were agrarian or occupationally based), and/or the members of political parties were more effectively indoctrinated than were members of other organizations. As would be expected, post-holders manifested a higher degree of knowledge than did the followers. Taking the entire sample into consideration, however, the degree of political knowledge manifested was remarkably low; where knowledge was expressed, it was about specifically Guatemalan persons and affairs, and there was practically no relation to international affairs.

Table 11. Data on Persons Manifesting Different Degrees of Political Knowledge

1	nformed	Poorly Informed	Know Nothing
95%			2101111115
Proportion which was Ladino	71.4%	72.3%	55.8%
100%	(35)	(94)	(138)
99%			
Proportion with high residential continuity	88.6%	59.6%	64.5%
100%	(35)	(94)	(138)
99%			
Proportion literate	68.6%	40.4%	20.3%
100%	(35)	(94)	(138)
None			
Proportion economically adequate	60.0%	44.7%	37.7%
100%	(35)	(94)	(138)
99%			
Proportion receiving land under agrarian			
reform	65.2%	40.7%	31.6%
100%	(23)	(91)	(136)

#### Other Factors

There are three other characteristics of some importance that shed light on hypotheses concerning communism and its appeal. These concern the relative importance of religiousness, economic status, and residential continuity.

Religiousness. It has long been a claim of the Christian churches that they are an important bulwark against the spread of communism; that since the concepts of Christianity and communism were incompatible, they would of necessity be opposed. It is not within the scope of the present discussion to examine this proposition, but we can look into the role religion was said to play in the lives of the people in our sample.

It has already been pointed out that only seven, or 2.5%, of the entire sample were Protestants. Since Guatemala is an overwhelmingly Catholic country, this seems to indicate clearly that no substantial differences exist between Protestants and Catholics with respect to receptivity.

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Among the remainder of the sample, all professed to be Catholics. To be a Catholic and to participate actively in the Catholic Church are, of course, two different things. In order to have some measure of participation, we collected data on Mass attendance and religious society membership. While there was some support for the idea that active Catholics were not active participants in labor unions or agrarian committees, there was neither confirmation nor denial of the thesis with respect to political parties and the Union Campesina (Tables 7 and 8). In religious societies, there was a relation between political party membership and non-membership in religious societies (Table 6); but the data on the Union Campesina was the reverse of this (Table 5). The hypothesis does receive some support in considering the attendance of post-holders at Mass.

Another relevant correlation here is that between high residential continuity and frequent Mass attendance.

Table 12.

A	Attend Mass	Attend Mass	Attend Mass	Total	
95%	Often	Sometimes	Seldom	Number	%
High residential continui	ity 57.2%	35.1%	7.7%	168	100
Low residential continui	ty 40.2%	54.4%	5.4%	92	100

This suggests that there may be a relation between factors leading to receptivity and to a disinterest in religious activity, but that these factors operate differentially. Thus, mobility probably leads to both receptivity and disinterest in religious activity, but receptivity can also stem from other factors which do not necessarily lead to diminished religious participation.

In general, there seemed to be little actual conflict in the activities of the organizations herein examined with those of the church. Had propaganda been stronger or more successful, then there might well have been problems of adjustment for some individuals concerned. The overt projects during the Arevalo-Arbenz administrations were not against Catholic dogma; but the communist support was. For most rural people, the issue of whether communist support was a serious conflict with their religious beliefs and activities never came to a head.

Economic status. It has always been an assumption that poverty, exploitedness, economic inadequacy, rural landlessness, etc., condition the effective entrance of communism. The effective introduction of communism, however, requires an initial appear to a middle class group. The Guatemalan picture

<sup>7.</sup> See Morris Watnick, "The Appeal of Communism to the Underdeveloped Peoples", in Bert F. Hoselitz, ed., The Progress of Underdeveloped Areas, Chicago, 1952.

strongly supports the second of these ideas, and gives considerable backing to the first. The data from the study did make it clear that to think merely in terms of economic insufficiency is misleading. It is impressive that 57% of the sample were economically inadequate, 64% were landless, and 68% were laborers. However, it is also impressive that there were such high percentages of people who were economically adequate, who had land, and who were independent agriculturalists. What is even more impressive is that when comparing members with non-members, there is not a very strong correlation between inadequacy and membership, and in fact the only really strong correlation is the reverse, in which political party members tend to be more adequate and own more land than do non-members.

In comparing leaders with followers, again we found that there was no significant difference in these economic measures. We are forced to the general conclusion that while poverty and related conditions are a condition attractive to communism, they are by no means the only condition, and some people may find it attractive in their absence.

Residential continuity. Residential continuity is the situation which results from the perpetuation of a family in a single locale over a number of generations. It was a hypothesis of the study that mobility, the reverse of continuity, was a significant factor in making a population receptive to agitation. From one point of view, this idea was substantiated. The south coast, where communist agitation had the greatest success, had a very high percentage of mobile people among the Ladinos. In addition to this, there was a strong correlation between low residential continuity and membership in the labor unions and agrarian committees. There was no correlation between membership in political parties, the Union Campesina, or leadership, with mobility, however, and these facts are equally significant. As will be noted shortly, this suggests that these different types of organizations drew upon different elements in the population, and these different elements were drawn to the agitation for different reasons.

While there is an expected correlation between mobility and landlessness, there was none between mobility and economic inadequacy. This suggests that mobility and inadequacy may well be distinct factors and should be considered as such when working with the problem of receptivity.

Table 13.

	High Residential Continuity		Low Residential Continuity		Total	
99%					Number	%
Land Holder	54	90.0%	6	10.0%	60	100
Landless	106	55.8%	84	44.2%	190	100

The correlation of landlessness with mobility brings out the most important social characteristic of mobility. People of low residential continuity lack ties with a specific locale and have no social continuity in that locale. Lacking social ties to an established social group, they are generally more receptive to innovations for the organization of that group. Their daily relationships are not constant reminders that they are diverging from old ways of doing things. They are a special case of somewhat maladjusted individuals. They are not necessarily the kind of people who make good local leaders (as the lack of correlation with post-holders suggests) but they do make for a receptive population.

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Perhaps the most important part played by mobile people is not that they form a mass of receptive people, but that they offer an element in the population through which changes may be introduced. When they are present in quantities, as they evidently are on the Guatemalan south coast, then they provide medium for rapid spread of innovations.

### General Remarks

Besides the tentative conclusions which have already been mentioned in the course of the analysis, there are some broader suggestions which emerge from this study. Receptivity is not, clearly, a single quality everywhere related to certain constant factors. Rather, different people are receptive to different things. The effectiveness of the Arbenz communist-line propaganda as free floating ideas seems to have been very slight. The success achieved, the area in which receptivity was the greatest, was in two spheres of activity, neither of which need have been complicated by communist agitation. One of these was simply political power; the exercise, within a local community, of the political mechanisms. The other consisted of activities which were directed at obtaining something which was felt to be necessary to satisfy a need. These needs varied from general economic inadequacy to specific needs such as better salaries, private land to work, etc. The democratic regime established after the 1944 revolution set in motion the processes by which local exercise of political action became possible; during the Arbenz regime, however, these processes became channelled and controlled by certain organizations, mainly political parties, and to a lesser degree the Union Campesina, labor unions, and in later years, the agrarian committees. Political parties were created and operated specifically, however, to control and channel political activity. The other organizations were politically important in an ancillary way; each, with the possible exception of the Union Campesina, had as first goal the fulfillment of certain needs. Agitators of the Communist Party and the Arbenz government, however, utilized these organizations as mechanisms for agitation and thus as auxiliary channels of political influence.

The comparison between the organizations clarifies some of these differences. Political party members in general were economically better off than were the members of any of the other organizations. They did not go into politics because they were starving but because politics offered the channel both to power and therefore various additional goals. Political party members were generally more literate and better informed on political matters than were the members of the other organizations. The members of the other organizations were specifically receptive to action which would lead to the satisfaction of specific needs, land in the case of the agrarian committees and higher salaries in the case of the labor unions.

The <u>Union Campesina</u> seemed to stand somewhere between the political parties and the other two organizational types in these matters. So far as I could tell, its function was neither specifically political nor specifically need-satisfying, but rather a combination of both. It served to exercise political control over its members, and at the same time provided aid to them on a variety of matters. 8

<sup>8.</sup> A brief but interesting description of a meeting of the Union Campesina will be found in Nathan L. Whetten, "Land Reform in a Modern World", Rural Sociology, Vol. 19, No. 4, p. 335.

An interesting aspect of the Union Campesina membership is the rather high correlation it offered with membership in religious societies, combined with the fact that it did not have the correlation with low residential continuity which was true of the labor unions and the agrarian committees. These two characteristics suggest that at least the Union Campesina members in our sample were fairly serious, locally rooted, countrymen who found in the Union a means for solving local problems as well as exercising a certain amount of political power. It should not be forgotten that religious societies, in a local Catholic community, are also a means of obtaining and exercising power on the local scene.

While final conclusions cannot be based on the present study, the material is suggestive concerning the broader scene. Latin America, along with much of the rest of the world, is in the throes of extreme change; the population is multiplying at an astronomical rate, an old economic-based social class structure is being shattered with the political emergence of a highly vocal and active middle class; extreme ambivalence is the hall mark of political action, while radical ideas battle with the anachronistic for prominence. The accepted words and concepts of "acculturation", "transition", and "awakening" suggest little of the turmoil which is increasingly manifest. The matrix and the matter of this giant is a huge population of semi-literate members of small agricultural communities. Novelists and sociologists alike have seen this population and have tried to describe it. Like all emerging phenomena, it presents a variety of faces, a multitude of confusing forms.

In the past pages we have given some quantitative information on a microscopic portion of this population, selected because the members were identified as having been particularly active in one development, the communist-fomented agitation of the Arbenz regime in Guatemala. The sample was not from the middle class, the source of intellectual leadership in the radical movements, but from the great population which must be controlled and utilized if the leaders wish to maintain and further their political power. Because of the technical problems involved, it has been necessary to treat this sample as a universe, to refrain from assuming that it is representative of the whole from which it is drawn.

The sample, which we have assumed was receptive to the agitation of the Arbenz regime, was older than was anticipated, was economically somewhat better off than had been anticipated, and was surprisingly active in religious affairs. It was composed of people who became active in politically directed movements for a variety of reasons. It was not merely economic need, nor lack of residential stability, nor an individual's desire for political power; it was sometimes one, sometimes another, and probably in some instances a combination. While great emphasis has been placed in recent years on the importance of ideas, the evidence from this sample is that these ideas must be related to social action to have meaning in a population of the type here studied.

There was little evidence of what has been termed popularly an "ideological awakening" among the individuals in the sample. Actual political knowledge was not characteristic of the agricultural portion of the sample, but it was of the few non-agriculturalists who were included. If an "ideological awakening" occurred, it was among those who were acting as leaders, those who could read, and those who were members of the political parties. And what of the rest? They too were active, they too formed parts of the organizations, but there is no evidence that they were won over to a specific political ideology. Rather, they were acting because they found a channel through which they might achieve specific goals, be they more income, more land, or simply more power.

An awakening of profound import did take place for many of the members of this sample, but it was not what usually has come under the rubric of "ideological". It could better be called a "sociological awakening", for it amounted to a realization that certain of the previously accepted roles and statuses within the social system were no longer bounded by the same rules, and that new channels were suddenly opened for the expression of and satisfaction of needs. The heretofore established series of relationships between political leader and countryman, between employer and laborer, between Indian and Ladino, were not suddenly changed, but it abruptly became possible to introduce some change into them. This was a sociological alteration of first importance, and it was to a few of the ramifications of this that they awakened.

This awareness of a new sociological potential had its distinct ideological aspects; the sociological changes themselves involved vast alterations in the traditional ways of thinking. It was probably of little importance to the countrymen involved in this process whether it was done under one name or another; what was important was that there was, for the first time, a series of channels of communication and permissive activity between themselves and authority. That communism abused these channels to the point that a change in government was brought about through revolution is a tragedy of history.

Stokes Newbold

Guatemala City, Guatemala

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#### ECONOMIC POLICY IN UNDERDEVELOPED COUNTRIES

Little attention appears to have been given by economists and other social scientists to any analysis, systematic or casual, of the behavior of governments of underdeveloped countries as revealed by their economic policy decisions over a period of time. Nevertheless, in view of the considerable role played today by governments in the development process, it is clear that governmental behavior should be subjected to just as close scrutiny as is being given to the motivations and conduct of entrepreneurs.

In fact, in the absence of more knowledge about probably actions and reactions of governments, our best-intentioned technical assistance efforts are liable to fail. This conclusion is inescapable to anyone who has been watching the economists and other social science "experts" who are sent on foreign assignments. At the outset of their mission, they are likely to think that the principal problem they are going to be confronted with will be that of determining what ought to be done, e.g., in what sector the principal investment effort should be undertaken, and what monetary, fiscal, and foreign exchange policies should be adopted. But soon they realize that they have little trouble in deciding what to do or rather what to advise to do, while by far the largest portion of their time is devoted to energy-consuming and often frustrating efforts to put their ideas and proposals across.

Let me say that my remarks apply primarily to the important group of underdeveloped countries whose economies have already registered important advances. In such countries, a few obviously useful investment projects are always at hand: some monetary and fiscal reforms usually cry out to be taken: certain changes in the institutional and administrative structure would no doubt further stimulate development. The story of a technical assistance mission is then the story of its successes and failures in having these projects, reforms, and changes firmly adopted. The huge difficulties of this task are not always properly appreciated, partly, I suspect, because, in order to do so, one must catch the experts themselves during their unguarded moments rather than rely on their reports to headquarters; and partly, because the whole tale here is in terms of personalities and of human passions, frailties, and frustrations which the experts, once they are "back home", are liable to forget as easily and completely as physical pain. And if they reminisce, it seems to them that they were facing fortuitous circumstances which do not lend themselves to any kind of generalized analysis.

Here they could be mistaken. After all, underdeveloped countries and their governments may find themselves typically in situations which make likely the adoption of seemingly irrational economic policies. It is also conceivable that the emergence of oscillations and even of inconsistencies in such policies could be predicted with a fair degree of accuracy from a knowledge of their economic structure and problems.

An analysis that would deal with these probabilities would permit the economic adviser to gain some understanding of the economic policies--good or bad--and of the resistance that he and his proposals are likely to encounter.

Not only would it thereby contribute to his mental health--by saving him from unnecessary exasperation--but it might make him into a more effective operator. Indeed, the governments may also profit from knowing more about themselves. In the following I shall attempt to give some examples of this kind of analysis from selected areas of economic policy making.

# Attitudes toward National Development Programming

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There is no field of economic policy in underdeveloped countries that stands as much in the limelight as the programming of economic development. To have a five-year plan for economic development has become a matter of prestige, second only to the importance of having a first-class international airport near the capital. In this, as in many other respects, governments are more powerfully subject to the "demonstration effect" than individuals for the simple reason that communications between governments are far more developed than between citizens of different countries.

The reasons for which the adoption of development plans has proven so attractive, are well-known; the plan or program is a concrete expression of the universal aspiration toward better living standards and the elaboration and adoption of such a program is a source of considerable popularity for any government; on various occasions, countries have found that the possession of a development program was an essential condition for being considered eligible for foreign assistance, or at least was helpful in connection with the application for such assistance; similarly, the existence of a program makes it easier for a government to secure additional domestic financing through taxation or other measures which by themselves would encounter considerable opposition; finally, a development program is a convenient device for the national government in dealing with the many requests for financial aid to which it is constantly subjected from its own agencies. It seems so much more convincing to tell the visiting mayor of a provincial town who comes to lobby for an aqueduct that no provision for this project is made in this year's portion of the five-year plan than simply to plead old-fashioned lack of funds, which in any event is an unsatisfactory explanation when aqueducts are being built at the same time for several other towns.

The development program is therefore a convenient restraint on the central government which permits it to push through high-priority projects without being side-tracked. This function of a development program is usually not the principal motive for adopting it in the first place, but the realization of its usefulness becomes often a major reason for continuing the experience. On the other hand, this very freedom-of-choice-limiting property of development programs can be felt as excessive and then results in the frequently observed spectacle of a government acting in contradiction to the course of action which it had laid down for itself.

Sometimes such behavior reflects nothing but the inherent impatience of most governments of underdeveloped countries with any kind of limitation of their powers, whether such limitation is inflicted from the outside or is self-imposed, and whether or not it is rational. But often the violation by the country of its own development program is due to the unreasonable and excessive character of the constraints laid down in the program. Governments of underdeveloped countries appear to have a tendency to subject themselves to overly rigid rules of conduct which, later on, they find themselves inevitably unable

to follow. From this viewpoint, one may discern a genuine, though unexpected similarity between the orthodox and rigid monetary and banking legislations as dopted in many Latin American countries in the twenties and the "integrated". long-term development programs of today. These programs often pretend to commit governments firmly to an all-embracing investment pattern in spite of the avowed weakness of our knowledge about appropriate investment criteria and even though the character and reality content of the estimates which make up the program differ widely from one economic sector to another. 1 If, in some sectors, the proposed spending is based only on the vaguest kind of criteria and extrapolations, then there is a good chance that the program figures should be radically revised once detailed engineering and economic studies have been undertaken. If it were made perfectly clear upon the publication and acceptance of a development program, which are the sectors where proposed spending results from careful screening of individual projects that are ready to be undertaken, and which are the ones where no such detailed planning has as yet been possible, then governments could change their minds about parts of the program without feeling that they are toppling the whole laboriously erected structure.

It should be added that provision for possible changes in the program should be made even with respect to those parts which have received careful attention and study as even here it is unlikely that all the alternatives have been fully considered. The distinction which we have made between sectors where planning has been sufficiently thorough to warrant full commitment by the government to the program, and those where the planning is of so general a nature that the government should retain considerable freedom of action to modify the tentatively-set goals as better knowledge becomes available, is clearly overdrawn. The plan will ordinarily consist of a series of sectoral programs and projects which can be ranked according to the quantity and quality of expert planning that has gone into them and which should then command correspondingly decreasing degrees of allegiance on the part of the national government.

After the many experiences with national economic planning which have not been wholly successful, it might be time to recognize that governments of underdeveloped countries exhibit side by side with a "propensity to plan", a "propensity to experiment and to improvise". If this is so, is it really wise to identify the former propensity with everything that is sensible and virtuous and the latter with all that is unreasonable and sinful? Would it not be far better to proceed in accordance with the prescriptions of any elementary textbook in psychology and provide healthy and constructive outlets for both propensities? Admittedly, there is nothing more exasperating and demoralizing than the spectacle, frequently on display in underdeveloped countries, of half-finished structures in reinforced concrete which were intended to become government buildings, hospitals, stadiums, etc. While the lack of planning and the arbitrary reversal of previously taken investment decisions that are responsible for these unsightly "modern ruins" are deplorable, improvisation and experimentation must be recognized not only as irrepressible urges of governments, but

On this point, see my "Economics and Investment Criteria -- Reflections
Based on Experience in Colombia", in Max F. Millikan, ed., Investment
Criteria and Economic Growth, Cambridge, Mass., 1955 (planographed).

also as a force which, properly directed, can be made to play a beneficial role in the development process.

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For instance, even with the best of plans, governments of underdeveloped countries certainly cannot and should not give up the permanent search for new and better ways of using the country's natural resources. If the search is successful, the investment pattern laid down in any previously adopted program ought to be disturbed. In our planning for certain average rates of growth, we are apt to forget that these average rates were realized in the industrial countries only because some very much higher rates were achieved in some sectors, often as a result of experimentation and improvisation. In underdeveloped countries, many dynamic growth sectors remain to be discovered; many patterns of social organization conducive to economic progress remain to be identified; and much flexibility in programming economic development must be preserved to enable governments and investors to take advantage of changing trends in world markets and of the changing whims of international development capital. Here, then, is a wide area where governments can and should make the utmost use of their urge to be imaginative, unpredictable, and uncoercible.

## **Understanding Recurring Inflation**

Let us now try to understand why inflation is still so real a problem in many underdeveloped countries. Is it not widely agreed that economic development should take place as much as possible within the framework of monetary stability? Has it not been pointed out ad nauseam that inflation, while typically resulting from an attempt to accelerate the development process, is actually harmful to it because of the speculative and non-productive investments in inventories, real estate, and foreign exchange hoards it brings in its wake?

The fact is that when inflation proceeds at a fast and rapidly accelerating rate, its disadvantages usually become so obvious that somehow a way—and the political courage—is found to stop it. But after a short period of stability, the pressures often start to build up again and prices resume their upward course. The most obvious explanation is that in a developing economy which disposes of an elastic monetary system, the effective demand for investment funds always tends to outrun the supply of savings. While this explanation is true, I do not believe that it is particularly helpful in tracing the inflationary process and in locating the best means to curb it.

In the first place, this standard explanation implicitly tends to consider savings and consumption as more or less given and investment as the quantity which must be adjusted. Recent experience in several developing countries has shown, however, that savings are definitely "institution-elastic", i.e., that with the appropriate instruments and institutions, considerable amounts of domestic savings can be mobilized. Instead of curbing investment, it may also be possible to restrain consumption, in particular consumption of imported luxuries or their equivalent, namely foreign travel by residents. This is really the economic rationale for the prohibition of luxury imports or the special high foreign exchange rates often applying to such imports and to foreign travel. While in advanced countries such measures may have little anti-inflationary effect as the great variety of domestic production permits considerable substitution of the prohibited imports by domestically available goods and services, the sharply limited range of quality articles produced in

underdeveloped countries makes such substitution there impractical so that import curbing measures may effectively decrease consumption.

Finally, the investments-outrun-savings analysis of inflation concentrates attention unduly not only on investment as opposed to savings and consumption, but also on public investments within the investment total. Public investments are the only ones that are reasonably well known and over which economic policy makers and advisers have some measure of direct control. Private investments are usually assumed at some given level, their composition is not known, and the way in which they can be influenced--by monetary policy--is not subject to accurate evaluation. As a result, public investments have to bear the brunt of any adjustment following the realization that there exists an excess of intended investment spending over available savings, and it is somewhat ironic to note that the modern approach to monetary stability, which relies on investment planning, is likely to result in this bias against public investments.

Let us now try to understand a little more fully why inflation is so difficult to avoid in underdeveloped countries. One reason is that the conditions for monetary equilibrium are more stringent for them than for the advanced countries. In the latter, all we need as a condition for price stability is an overall balance between investment and savings. In actual fact, balance has often been consciously achieved by having expected dissavings or inadequate savings by individuals and business offset by a surplus in the government accounts. In underdeveloped countries, on the other hand, it is likely that we will have to achieve monetary equilibrium by balancing separately the accounts of the government on the one hand, and of the non-government sector on the other--obviously a more difficult task. The reason is that the achievement of a budgetary surplus for any length of time is simply out of the question for the ministers of finance of a developing country.

Even in advanced countries where a considerable internal debt is outstanding and maturing every year, it is difficult to win public support for a fiscal policy aiming at a cash surplus. In underdeveloped countries, internal debts are either small or are held by the central bank, and there would be little understanding for a policy aimed at retiring this debt when so many essential projects need to be undertaken. As to the external debt, it is ordinarily increasing rather than decreasing in an active period of development. Thus, the best that can be hoped for from the public sector under these circumstances is a precarious balance which means that the private sector has to balance its accounts independently. In this respect, the business sector, beset by requests for high dividends and by strong expansion needs, can be relied upon to be a net spender. The only safety valve is represented by the traditional tendency of individuals to be net hoarders of cash. But this tendency is increasingly counteracted by the enlarged availability of mass consumption goods, by the gradual appearance of personal credit facilities, and by the conversion of cash hoards into bank deposits.

In spite of these complicating factors, monetary stability could still be achieved given a sufficiently strong will among the economic policy makers. I shall now argue that this will is none too likely to be encountered. In the first place, a shrewd finance minister of a developing economy may not be entirely unhappy to have to contend with moderate inflationary pressure as such pressures give him an opportunity and an excuse to reject the more extravagant among the projects that are constantly brought to him by the spending ministers, the local governments, and the autonomous development agencies. As

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long as monetary stability prevails, he is almost as vulnerable as though he had accumulated a large cash balance. He does not and cannot pretend to know precisely the limits of tolerance of the economy. Thus, for him to say, "This additional expenditure will start inflation again", is clearly much less convincing than, "With prices again on the rise, we cannot afford to add more fuel to the fire". Small inflation may therefore represent an effective line of defense against unplanned and unreasonable expenditures and, in fact, it may at times be needed to hold the line against big inflation.

It is not suggested that the minister of finance consciously manufactures inflation. But all he usually has to do to have some inflation is to relent just one day in his fight against it; and he may so relent because, consciously or unconsciously, he feels that he must be under some pressure to operate succesfully in the particular environment of an underdeveloped, but developing economy.

A further reason for which a finance minister may not be putting up as stiff a fight as he might against some increase in the price level is that the more modern tax structure which has in recent years been introduced in many underdeveloped countries, makes their fiscal revenues less vulnerable to inflation than they used to be. Customs duties are now predominantly on an ad valorem basis with specific duties in a secondary or supplementary role. Lags in collection have been reduced. Most important, progressive income taxation now exists almost everywhere and this means that a rise in prices and incomes has actually the effect of continuously and irreversibly increasing the real incidence of the existing rate schedule without any need to make it steeper through legislative action.

It must be a slow rise, for if there is a galloping inflation the schedules will surely be revised; but if prices and incomes rise by say 5 to 10 per cent per year, the inflation may bring with it just about the desired degree of tax tightening. Incidentally, this effect which may be quite important over the years, ought to be taken into account when one analyzes the effect of inflation on income distribution.

# Cycles in Foreign Exchange and Fiscal Policy

Let us next consider briefly a closely allied area of economic policy, namely foreign exchange rates and controls. Here a characteristic cycle may often be observed: a country with an impossibly complex multiple rate and exchange control structure adopts one day an excellent reform which sweeps away all the complications and sets up a unitary exchange rate, possibly incorporating into revised customs duties the protection previously resulting from some features of the abolished multiple rates. As time goes on, however, differential exchange rates and controls infiltrate again here and there. This goes on for some time until the situation is once more so chaotic that the country is ripe for another thorough exchange rate reform.

A similar cycle can be observed with respect to fiscal policy. A common feature of the revenue structure of many underdeveloped countries is the excessive earmarking of taxes for specific expenditures, in other words the violation of the principle of budgetary unity. Every once in a while, the situation becomes so intricate and the general budget so anemic that a law is

passed eliminating all earmarkings--but here also one may be sure that soon there will be back-sliding into the old ways.

These gyrations in economic policy are precisely what seems so discouraging to observers or advising experts who do not realize that there is some "logic in this madness", but see only the flouting of their advice and the total inability on the part of the authorities to adhere to a once elected course of action. Since the kind of policy-making we have described requires frequent disregard for principles that were just recently proclaimed as inviolate, it attracts persons who do not have any qualms about such disregard. In this way, the optical illusion is created that the frequent turn-abouts in economic policy are due to the fact that a capricious minister is in power when in actual fact the more pertinent causation may work the other way around. Unsavory jobs are usually handled by unsavory individuals. But if society wants these jobs to be done, it is surely wrong to focus on the individuals and to hold them uniquely responsible.

The tendencies that are disruptive of unitary exchange rate systems and of the unity principle in budgeting are directly related to the economic structure and problems of underdeveloped countries. For instance, special incentive export rates are bound to be tried from time to time in countries which feel that they rely too heavily on one or two commodities for their export earnings. Earlier in this paper, we have already presented one argument favoring special import prohibitions, or special exchange rates designed to deter certain imports. In case domestic inflationary pressures dictate a devaluation, it may also become necessary to grant temporary privileged status to some imports. Consider, for instance, equipment imports on the part of public utilities which are undertaking important expansion projects. Privileged exchange rate treatment for such imports may become a desirable offset to the handicap resulting for public utilities from the usual lag of their rates behind rises in the general price level.

In public finance the special earmarking of tax revenues is usually associated with the expansion of the government's activities. As a new field for governmental responsibility, say low-cost housing, is recognized, a new source of revenue must be discovered. It is only natural that at first the expenditure and the revenue which finances it, are coupled together. In this way the new fiscal device becomes far more acceptable to public opinion which always suspects "waste" in the expenditure of general treasury funds.

The conclusion I draw from this is not that to understand everything is to forgive everything. But I do think that to understand some of these real problems under which policy makers of underdeveloped countries labor will help in making our technical assistance more constructive. For instance, the preceding reasoning would seem to indicate that we should avoid those Fundamental Reforms accompanied by solemn declarations of principle and resounding commitments "never to do it again". In any reform, it would seem far wiser to circumscribe and to regulate such practices as multiple exchange rates and ear-marking of fiscal revenues than to prohibit them outright.

# Cycles in the Administration of Economic Development

Cycles in economic policy such as the ones we have just described with regard to exchange rates and fiscal policy are paralleled in the administration

of economic development. They are particularly disturbing as, under the best of circumstances, public administration presents many deficiencies in underdeveloped countries. On the other hand, policy changes in this area are perhaps more easily condoned by the foreign observer, as all governments seem to experience considerable difficulties in creating a workable and durable administrative structure for the exercise of new functions in the economic field. For here lies the origin of the trouble: a government decides that it should undertake a new function or carry on an existing one much more effectively than heretofore. It finds that for this purpose administrative procedures prevailing within the government itself are too cumbersome and slow; that salaries are too low to attract the kind of talent one wants to secure; and, most important usually, that political pressure ought to be removed from the scene. As a result of all these cogent reasons, a new Institute, Corporation, Bank, or Agency, with semi-autonomous status, is created and starts on its career accompanied by many high hopes on the part of its founders and the general public.

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One trouble with this solution is that the government of a developing country is liable to encounter one economic function after the other that ought to be newly undertaken or that must be carried out more efficiently. Thus the semiautonomous Institutes soon begin to mushroom until one day a new Cabinet comes in, the economic ministers find that the existence of these Institutes—to which many important taxes are assigned—make budgetary and economic planning practically impossible, and that it sharply curtails their own power to the full exercise of which they were hopefully looking forward. The result is that a thorough reorganization is decided upon which places all the new agencies right back into the government and under the ministries.

The likelihood of such a development is enhanced by the fact that the presidents, directors, or managers of the Institutes are usually quite high-powered individuals at the start, but are soon replaced by others of lower standing, whereas no such process of progressive downgrading applies to the holders of ministerial jobs. Moreover, the autonomous Institutes do not fare so well if the governments take too seriously their autonomous status, for then they lack the political and financial support which they vitally need for their success. Finally, there exists a well-known and time-honored propensity in many underdeveloped countries to "solve" serious economic problems by means of legislation alone. This practice has often blocked real progress. Today many governments are apparently under the similar and similarly dangerous illusion that they actually solve a problem by setting up an Institute to which they delegate the task of solving the problem.

The preceding remarks are not meant to deny that the new tasks which governments need to undertake will often require institutional innovations. But they may be taken as a warning against advocating too freely the "autonomous institute free of political interference" as the solution. What is needed, besides a very few institutes of this kind, is primarily a reorganization of the economic ministries which would enable them to carry out some of the new functions efficiently through their own sub-divisions, or through institutes closely integrated with them.

#### Conclusion

We have noted here some salient examples of the apparently inherent instability of economic policy in underdeveloped countries. While the specific

causes of this kind of instability are different in each case, a few general remarks may be in order by way of conclusion.

In the first place, we must understand this instability as the reflection of some very general characteristics of underdeveloped countries. After all, their political structures themselves are unstable and ill-defined, the legitimacy of their governments is often in doubt, and in general the powers of the state fail to be clearly bounded by custom or observed constitutional law.

Secondly, there is the desire to experiment and to manipulate. Anxious to use their newly won sovereignty to the full, confident that the basic potential of their economies leaves them some latitude for making mistakes, governments of underdeveloped countries are powerfully attracted by new gadgets in economic policy making. Just as they have made the transition from mule to airplane in one generation, so they pass easily from the complete absence of monetary controls to the imposition of complicated differential reserve requirements. In economic policy, however, the meaning of progress is not nearly as clear as in technology. There are many more possibilities of going too far and too fast and, unlike technical progress, policy is typically reversible. If it is reversed too often, demoralization results, not only among the foreign advisers, but-and this is far more serious -- among the country's policy-makers and the general public. An impression of unpredictability and of lack of purpose is created which may even be damaging to economic progress itself. A rift develops between the business community which acquires the feeling that it is the only real creator of wealth in the country and the government with its bungling and erratic policies.

Much is therefore to be said for trying to make governmental policies more stable. Our analysis has shown that this aim cannot be achieved by once-and-for-all Reforms or Programs. Underdeveloped countries will not tolerate any straitjackets. The money doctor who prescribes a uniform financial diet or the economic advisor who lays down a rigid investment pattern may be obeyed for a while, but soon he becomes a father image that must be destroyed. Account must be taken of the propensity to change and to experiment so that, when it is indulged in, it does not come as a revolt against intolerable restraints but as an action that is foreseen as well as regulated. Economic policy in underdeveloped countries will then continue to fluctuate, but the limits of these fluctuations should gradually become narrower and the oscillation between those limits slower, as experiences with diverse policies are assimilated.

For economic policy in underdeveloped countries to become more stable, two conditions must therefore be fulfilled: first the institutional framework must be elastic and must regulate change rather than proscribe it; and second, homegrown experience must be accumulated, and made to yield a body of home-tested principles. As economists we can contribute importantly to this process: we can help underdeveloped countries to understand themselves and their experiences.

Albert O. Hirschman

Yale University

#### COTTAGE INDUSTRIES: A COMMENT

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In his paper dealing, in part, with the role of cottage industries in the economic development of Asia, <sup>1</sup> Dr. Herman did not assess, perhaps intentionally, a dimension of cottage industry already deemed of significance by David Ricardo. It is to be hoped, therefore, that he, or someone else with ready access to the data, may provide such assessment.

Ricardo criticized Adam Smith and J. B. Say for supposedly magnifying "the advantages which a country derives from a large gross, rather than from a large net income". According to Ricardo, "the whole produce of the land and labour of every country is divided" into three "portions", namely, "wages", "rent", and "profits". The last two portions, he asserted in the first two editions of his work, constituted the "net produce", or, as one might put it, the "surplus value" of the country; for wages approximated the cost of producing the supply of labor. In the third edition, he remarked that a part of the portion going to labor constituted "net produce", since "more is generally allotted to the labourer under the name of wages, than the absolutely necessary expenses of production". Nonetheless, he seems to have considered this last component of "net produce" to be comparatively small. We shall, therefore, ignore it. This "net" or "surplus" produce was the source out of which "taxes" were paid and "savings" flowed; upon it, consequently, depended growth and progress, Ricardo's argument suggests.

Smith's error consisted, Ricardo believed, in his not distinguishing sharply between gross and net revenue, in his implying that the ratio of net to gross varied little, and in his overlooking the role of "net produce" or "surplus value". For Smith's objective, in Ricardo's words, was "increasing the power of the country"; and the objective tended to be realized, so Ricardo inferred from Smith's argument, in proportion as a country's gross revenue and population grew. Yet, observed Ricardo, a country's power, its capacity to pay taxes and supply savings, depended upon the magnitude of its "net produce", and not upon the size of its population or of its gross revenue. A country of five millions was as powerful as a country of 10 to 12 millions, given that each had the same "net produce".

Ricardo's argument is applicable to the cottage-industry problem as will be indicated. Cottage industry, as Dr. Herman indicates, has a role. This role is most effective when certain conditions are present. Among these conditions, according to W. A. Lewis, are the following: absence of a

Theodore Herman, "The Role of Cottage and Small-Scale Industries in Asian Economic Development", Economic Development and Cultural Change, Vol. IV, No. 4 (1956), pp. 356-70.

 <sup>&</sup>quot;On Gross and Net Revenue", Ch. XXVI in E. C. K. Gonner, ed., Principles of Political Economy and Taxation, London, 1903; also Ricardo's critique of Malthus's opinions on rent, ibid., Ch. XXXII, esp. pp. 412-416.

standardized mass demand for the products of cottage industry; the availability of sufficiently improved materials and techniques (e.g., electric motor); the presence of a middleman to furnish finance and perform the marketing functions; the availability of labor (e.g., seasonally unemployed, underemployed, and unemployed males and females) with sufficiently little actual or immediately potential alternative use value;3 and a shortage of capital of the sort encountered in many underdeveloped countries. In short, cottage industry can contribute most effectively to gross and net national product when the inputs utilized therein have no greater alternative use value than that realizable under cottage-industry conditions. It is inferable that this test has been met, however, only when cottage industry is competing freely with other forms of enterprise. For cottage industry produces goods and services only; it does not produce additional side effects that cause the marginal social benefit associated with cottage industry to exceed its marginal private benefit. This test is not likely to be met so long as cottage industries are somewhat protected against the competition of goods and services produced by other forms of enterprise. 4

Returning now to Ricardo's argument. A major objection to cottage industry is that it tends to bring very little "surplus value" into being. It is not likely to contribute significantly to a country's annual supply of capital. Forms of enterprise making use of modern methods, by contrast, produce a great deal more output per worker than does cottage industry. Accordingly, even though wage incomes are appreciably higher than in cottage industry, the average spread between value of output per worker and wages is sufficiently great to defray other expenses and provide a sizeable profit transformable into additions to the capital stock of the enterprise and of the country. This capital increment, in turn, is prerequisite to the modernization of the economy of the country, to its development and/or industrialization, and to the augmentation of the overall demand for labor, and it may contribute to a decline in natality. In sum, use of modern methods instead of those characteristic of cottage industry makes possible further modernization and development, together with escape from Malthusian conditions. Cottage industry, irrespective of what may have been its role in and before the eighteenth century, cannot contribute much to capital formation, modernization, and development. At best it can do little more than provide employment and subsistence to factors of production that might otherwise be without employment and support.

Inasmuch as cottage-industry, when protected, tends to be supported in part at least on make-work grounds, it is in order to question whether labor and other agents employed in cottage industry have so little alternative use value as is supposed. The answer to this question is likely to be in the negative in many situations. First, as has been noted, some of the unemployed factors

See W. A. Lewis, <u>The Theory of Economic Growth</u>, London, 1955, pp. 138-141, 386.

<sup>4.</sup> Cottage industries usually enjoy indirect protection of a sort with which we are not here concerned. When industry or trade unions, acting with or without governmental support, fix wages at a level in excess of that at which all workers (attached to given trades or industry) can be employed, some of these workers will become unemployed, and of these unemployed some may become available to cottage or similar very small scale industry at very low relative wage levels.

available to cottage industry have been made unemployed by wage, social security, and other policies and practices that have unduly augmented the marginal cost of labor and other agents of production to modern enterprises. Second, it is quite possible that some of the labor available to cottage industries can better be employed by the government or others to provide economic overhead and related forms of capital.

When, even after the objections and conditions of the preceding paragraph have been met, there remain labor and other resources without sufficient employment, these agents can be effectively utilized under unprotected cottage-industry conditions. Under these circumstances cottage industry represents a transient but apparently necessary stage in a country's economic development. While it may contribute little directly to a nation's stock of capital, it may at least provide support for those dependent on it and contribute accordingly to the country's gross and net national product, thereby reducing somewhat demands for relief of indigence, etc.

J. J. Spengler

Duke University

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#### COTTAGE INDUSTRIES: A REPLY

In answer to Professor Spengler's statement of the classical economic position regarding the low net productivity value of cottage industries and the questions that he develops therefrom, I shall reply with four points.

I

I will certainly agree that in general a worker with, say, a power loom makes a better contribution to the economy than one weaving the same kind of cloth on a hand loom. However, beyond this I would certainly not agree with Professor Spengler's generalization (third paragraph from the end) that "Cottage industry, irrespective of what may have been its role in and before the eighteenth century, cannot contribute much to capital formation, modernization, and development".

There are a number of examples in the world today of hand-made goods in strong demand in markets of high purchasing power. Some of these goods are made in non-industrialized countries and some in highly-industrialized ones. As examples, I list such items of special favor in the United States as Harris tweed, Oriental rugs, Madeira needlework, Thai silks, Taxco silver, and a variety of locally hand-made items offered for sale in a town like Gatlinburg, Tennessee, about 250 miles west of Professor Spengler. Because some of the raw materials may be processed by machine or some of the dyes be made in chemical plants is not to deny that the major sales appeal and hence productivity value rests on the qualities derived from hand manufacture of the end product.

Unfortunately I am not now close to source materials containing volume or value figures of such production or trade, but an examination of foreign trade reports will provide some measure of the income-earning importance of those that are exported. If my memory is correct, even during World War II when the very survival of Britain was in danger, there was some production and export of Harris tweed in order to help finance the more serious business at hand. Given the right market, cottage industry is not always a marginal subsistence occupation.

II

In my original article, I indicated that for parts of Asia with particular economic problems, cottage industry was officially promoted to meet several of those problems. One of these is excessive population for which not enough capital is currently available to transform the widespread unemployment and underemployment into maximum productivity. Whether or not state investment in cottage industry obtained from taxes on powered industry or other sectors of the economy is regarded as mere stop-gap welfare that impedes the more efficient and burdens the consumer with higher prices, it does have some

economic value, particularly when the existing strain on the economy and the threat to public order by not giving even such low-output productive help be estimated. This is certainly an acceptable form of a state's function by redistributing the wealth.

III

Should this labor supply be diverted into other employment that would better "provide economic overhead and related forms of capital"? In general, once again I agree that it should. Certainly it would be better to have needy people making farm implements instead of firecrackers or joss paper. But the problem in actual decision-making is not always as clear-cut as the statement of principle implies.

First, the cost of converting people trained in one field or even untrained people to another occupation, the loss of traditional skills, the expense of organizing, supervising, and of furnishing food, tools, and materials may be more than a government can meet. Problems of this kind were often so grave during the UNRRA program in China after World War II that work relief programs on roads and dykes in the interior could not be carried out despite the need of the people, the utility, and the overwhelming supply of available labor.

Second, there may be a question of social value in a democratic society where such occupational choices are not compelled by the state. I recall from my original article Professor Horace Belshaw's comment on the need to "accelerate the process of innovation (through all parts of society)." Clearly the gain in permitting some choice and in helping the workers to improve their organization and techniques of production could be both a social and economic advance by generating a general desire for improvement. This, I believe, must not be underestimated.

The questions that I raise here are not intended to evade or obscure the general value judgment raised by Professor Spengler's question, but instead to emphasize once again that other values may be more important or more pressing in given cases. This, it seems to me, is the great lesson that men are learning about the forced-draft economic development so characteristic of our post-War world, and why students in many disciplines have something valuable to contribute, especially when we remember that ever since the Age of Exploration an expanding West has been "developing" other parts of the world in terms of the needs and values of a dynamic Western society.

#### VI

Finally, the whole question of promoting cottage industry leads me to frame the following guide to this aspect of development planning: Where man must compete against a machine, it is eventually uneconomic to support cottage industry, but where the hand producer can command a market not available to machine-made goods, it may be entirely feasible to do so.

If the reply offered above seems reasonable, I must thank Professor Spengler for the fruitful comment that stimulated it.

Theodore Herman

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# THE GROWTH OF PUBLIC EMPLOYMENT IN GREAT BRITAIN: A REVIEW

Moses Abromovitz and Vera Eliasberg, The Growth of Public Employment in Great Britain, a study by the National Bureau of Economic Research, Princeton University Press, 1957. Pp. xiii +151. \$3.75.

Students of industrial change, and more generally of economic development, have given lavish attention to trends in manufacturing, mining, and transport active. ity, viewing them as both a manifestation of and a vehicle for growth. Much less attention has been given the irrepressible "silent partner" in these trends, government. Yet government's increasing size is noteworthy for several reasons: the larger the share of resources it absorbs, the wider is the sphere of collective choice and the narrower that of individual consumer's (and investor's) choice: the rates and directions in which government expenditures flow are determined less by the classic, restrictive principles of the "rational" economy than by a Pandora's boxful of socio-political considerations; there is uncertainty over the extent to which government activity represents intermediate rather than final product, and hence. with the changing importance of government, uncertainty over the trend in real national income. Finally, the steady expansion of government over the past fifty to one hundred years, including its incursions into the newer and much controverted welfare areas, raises the possibility of continued substantial expansion in the future, and with it further transformation of the economic environment.

Without the aid of basic data on the composition of and trends in government activity, little progress can be made in understanding and analyzing these issues. Much data became available for the United States in 1952. With the recently published volume by Abromovitz and Eliasberg, much now is available for Great Britain. This latest study supplies comprehensive and detailed data on government employment for the years 1891-1950, offers less systematic but helpful figures for the 1851-91 period, and takes note of trends since 1951. It compares and discusse employment trends in British and American Government and provides in addition a most useful, general account of the factors responsible for the growing size and shifting content of British Government activity.

The changes evidenced by the data run in several directions. The numbers employed by government have risen enormously, and at a rate higher, on the average, than that for any other major economic sector. Both the central and local governments have shared in the rise, the former much more than the latter. Staffs of such ancient and venerable services as revenue collection, foreign affairs, and colonial administration, police and fire protection have risen appreciably, but far less than the staffs of the newer regulatory commissions and welfare agencies. Defense personnel, military and civilian combined, now constitute a significantly smaller fraction of central government employment (excluding the nationalized industries than they did at the turn of the century. Today as then, however, this category, for gether with the post office, accounts for the bulk of central government personnel.

Solomon Fabricant, The Trend of Government Activity in the United States since 1900, New York, 1952.

The significance of certain of the trends is better appreciated when account is taken also of labor force growth. In 1891 government employment absorbed 3.6 percent of the working population. By 1921 the figure had risen to 10.0 percent, and by 1950 to 13.9 percent (excluding employment in the nationalized industries). The figures change appreciably when the armed forces are excluded from the totals, becoming respectively 1.9, 7.6, and 10.9. Thus, as a share of the working population, civil government employment quadrupled in the initial thirty years of the period and rose a little over 40 percent in the following three decades.

Coordinate with this overall expansion, the relative contributions of the central and local governments have altered. Whereas in 1891 the civil central government contributed close to two-fifths of the total civil government employment, and though this figure had declined slightly by 1921 to a little over a third and dropped further to about a fourth by 1931, by 1950 it had more than regained lost ground and comprised 44 percent of the total. Inclusion of employment in the nationalized industries boosts it much more sharply to approximately 71 percent.

Over the years, the content of government activity has been transformed as new functions have been taken on and the balance among old ones has shifted. Going back to 1851, the authors point out that of the 40,000 or so civilian employees of the central government listed in the census, over a quarter were in the post office, almost 40 percent were engaged in inland revenue and customs collections, and a further 20 percent consisted of messengers and workers in the dockyards and ordnance factories. Only about 1600 persons were listed as employed in the civil departments for general administrative purposes.

This general pattern, one bound to please votaries of the classical view of government's place, continued into the 1890's, notwithstanding an expansion of civil central government employment to around two and a half times its 1851 level. Even by 1914, despite growth in functions of the welfare and regulatory types, the central government "was still mainly a government of soldiers and sailors, postal clerks, and tax collectors" (p. 39).

Trends since 1914, and especially since 1933, have veered sharply toward the "modern services group", defined as including mainly the social services, personnel of the Ministry of Labor, and the regulatory agencies. By 1950 the share of defense in central government employment had declined moderately from its 1914 level and that of the post office considerably. The share of the "traditional services" group, embracing personnel associated with revenue collection, the home and legal departments, and foreign affairs had risen slightly. By contrast, the share of the modern services group had jumped from around 4 to over 15 percent, almost four times its pre-World War I level. In absolute terms, the expansion was nearly 800 percent, and although further dismantling of wartime controls between 1950 and 1955 cut this gain by a fourth, the group retains a major role in non-defense activity. Surprising, perhaps, is the fact that despite its growth, this group utilizes hardly more than 1 percent of the total labor force or, in crude terms, the equivalent of less than half of a single, average year's growth increment in national output. The civilian personnel of the defense agencies require twice as much labor as do the armed forces.

It is less easy to describe the changes in local government activities, since the data for this area are not as satisfactory as for the central government. Local government as a whole experienced rapid expansion as early as the second half of the nineteenth century. In this the protective services, mainly police and fire protection, played a major role, as did the services concerned primarily with health and sanitation, the provision of utilities, and road construction and maintenance. All of these

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services were relatively well developed by 1891. In that year, it may be noted, the police accounted for fully a quarter of local government employment.

From 1891 to 1901 growth was rapid, and local employment doubled. Education appears to have led the way. With the introduction of free public elementary education and compulsory attendance, this field approximately doubled its share of local employment, the percentage rising from 23 to 40. Thereafter, though its staff continued to grow, education's share declined more or less continuously and, by 1950, had returned to its 1891 level. The areas experiencing the greatest growth in the last half century cover personal health services (including institutions), slum clearance and housing, and an undefined and unfortunately very large "miscellane-ous" category.

At this point it is well to pause, as the authors do in the initial chapter of their study, to ask what dimensions of government activity employment measures. It does not measure government's use and disposition of resources; here expenditure is the more relevant yardstick. Nor can it be taken as an adequate indicator of government's influence on the economy. A given staff often suffices to administer a large as well as a small economic program. A handful of persons in a regulatory commission or a subsidy-dispensing agency is likely to exert a far greater impact than are large numbers of workers in a government industrial establishment. While it is true that the sheer size and complexity of modern industrial economies often make difficult the administration and enforcement of legislation, it also is true that some types of legislation require little enforcement. Moreover, the high degree of interdependence within such economies frequently permits government, through occupation of the "commanding heights", to fulfill certain functions with comparatively few personnel.

An employment index does, of course, measure government's direct labor requirements. But trends in government employment can be used as a rough gauge of trends in government's influence only insofar as the employment trends bear a reasonably stable relationship to (1) government's direct consumption of non-labor factors, and also to its indirect factor requirements, as reflected in its purchases from other sectors; (2) the number and size of "transactions" government affects, as e.g., through its regulatory activities; and (3) its other, less tangible influence as in the fields of education and welfare. It is a fair guess that none of the three conditions apply and that, on each count, employment trends understate government's significance. It is worth adding that expenditure data would avoid the qualifications of only the first condition.

The authors are mindful of the limitations an employment measure imposes, and they duly caution their readers. They nonetheless properly contend that the law measure has considerable interest in its own right. They might well have added the it is, statistically, a fairly reliable measure and, though deficient as a register of long-term changes in government's overall impact, is probably quite adequate as a indicator of many kinds of short-term movements.

The explanations offered by the authors of the major trends in government employment carry the reader on an abbreviated excursion into British economic and political history. Their account has the advantage of juxtaposing, to some extent, it titular types of social change with their quantitative consequences for the size of government. Only a few of the high points can be touched on here.

During most of the nineteenth century, it is observed, government expanded in response to the broad forces of industrialization and urbanization and the incress

interdependence they occasioned; to the growing dependence of the economy on distant and unstable markets; and to rising incomes. The expansion, while substantial, was retarded by the operation of certain checks which, however, began to weaken during the last half of the century. One such check was limited suffrage which served to restrain demands from the mass of the citizenry. It was undermined by the Reform Acts of 1867 and 1884, though the effects required time to be felt. A second was the predominant view that the proper functions of the state were the few respectable ones of classical political economy. Sentiment against this view mounted as social needs pressed on men's consciences and, later, as socialist doctrine gained ground. A third check lay in a lack of information about social conditions and a lack of understanding of the causes of social and physical destress. These shortcomings gradually were overcome as statistics improved and as the social sciences, with their stress on the social rather than personal origins of misfortune, developed.

The continued attenuation of these checks was supplemented after 1900 by powerful stimuli to government intervention. The requirements of war and defense rose and penetrated further into the economy, calling forth more elaborate administrative machinery. Foreign competition became intense, resulting in protection, subsidy, and rationalization schemes. And between the First and Second World Wars, unemployment was chronic, leading to various remedial programs and to more widespread support for basic social and economic reforms.

These pressures did not suffice to prevent retrenchment after the first World War. The yearning to restore prewar conditions and the determination to return to the gold standard at the old exchange rate created a premium on and priority for economy. "Persistent demands for government aid for housing, education, and most of all for unemployment relief, backed as they were by votes, were met at least in part, though with restraint and sometimes at the expense of still more far-reaching savings in other spheres. By 1933 the war-swollen rolls of the central government had been reduced to their 1914 level" (p. 48).

Later years witnessed the continued shift of political power to the lower income groups, and relatedly the commitment by the state to provide certain welfare minima, to control and limit the risks inherent in an industrialized economy, to diffuse income, and to control and direct resources on a larger scale. These factors, together with the apparent success of wartime controls in realizing specific objectives and the willingness of the populace to continue these controls in the postwar, are cited as strategic in the surge of government employment to its 1950 level.

Some of the same factors that pushed employment in central government upward acted on the local level also. A few others peculiar to the latter may be noted. In the nineteenth century, the growth of urban and industrial life confronted the local units with problems more elemental and more immediate than those faced by the national authorities. "Sewage, garbage, mud, epidemics, corpses, fire and burglary are, so to speak, 'conditions, not theories'" (p. 67). Hence expanded local activity was fairly readily accepted and was less vulnerable to the volatile fortunes of the national political parties.

As might be expected, the protective services, intended to cope with the more overt hazards to community life, led the way. The environmental health services lagged for several reasons: because the dangers they were designed to mitigate were not so obvious; because cause and effect relationships, as between health and the purity of the water supply, had to be discovered and remedies devised; and because the conditions in need of attention mainly affected the poor while control of government rested largely with the rich. Other services, like education and personal health, in

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By the first decade of the twentieth century, facilities existed for meeting the more urgent local problems. The rate of growth in employment began to decline and at the same time demands on the central authority intensified. Following the First World War an earlier tendency for local government activity to be stimulated by central government action was reversed. In the twenties and thirties the central government took on functions—such as insurance and pension schemes and a highway program—that tended to relieve the burdens on local authorities, and after 1945 this movement accelerated sharply. Basic causes of the shift are identified as the central authority's greater fiscal powers and flexibility in face of mounting costs; the tendency for administrative and financial responsibility to run together; and the central government's ability to treat problems uniformly on a national or regional basis, without regard for awkward local jurisdictions.

Explanations that are tailored to particular situations will not ordinarily qualify as general theories. In any case, formulation of such a theory is beyond the interest and compass of the volume under review. The explanations it offers are rewarding in themselves and, along with the fresh and extensive store of data that are supplied, provide some building blocks that are bound to prove useful in evaluating the issues noted in the initial paragraph above and in future research.

If further progress is to be made in understanding the determinants of government size and, presuming it possible, in developing a systematic, cohesive theory of that size, greater knowledge would seem to be necessary in several areas. One these involves the relationships among the major economic sectors: government, manufacturing, agriculture, etc. We know in a general way how these sectors are a fected by industrial progress and why. But much ground must be covered before adequate explanations can be given of inter-country and intertemporal variations in sector balances. Another area concerns the cost of government service relative to the scale on which it is performed. How do unit costs vary with output, and how do cost differ for different types of output?

The relations between government size and variables like population, population density, degree of urbanization and its pattern, and level of income comprise a third field of exploration. A fourth involves productivity levels and trends in government. A major problem here is, of course, how to measure output. The nature and diversity of government activity make this problem even more difficult than it is in most service trades and vastly more difficult than it is in commodity production. But an answer is badly needed to the question of whether, over time, the increase is in output per worker, or as Parkinson's Law would have it, in workers per unit of output.

Greater insight into these and related problems seems essential if the growth of government is to be understood more fully and if enlightened guesses are to be made about the future.

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